Assembling Egypt's Business-State Relations:
Cosmopolitan Capital and International Networks of Exclusion, 2003-2016



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Le secret des grandes fortunes sans cause apparente
est un crime oublié, parce qu'il a été proprement fait.

The secret of great fortunes without apparent cause
is a crime forgotten, for it was properly done.

–Honoré de Balzac

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Abstract

This dissertation argues that conventional analysis of business-state relations fails to capture the nuances of networks shaping Egypt's neoliberal reform experience. Instead, it posits that both the 'business-state' and 'domestic-international' divides should be reconsidered—with categories better understood based on the nature of individuals' socio-economic *capital* (Bourdieu 1986). I argue that only by using such a framework can we make visible insidious forms of resource capture and economic exclusion.

On the macro-level, this dissertation tells a story of elite resource capture that occurred alongside Egypt's experience of economic liberalization. While particular attention is paid to reforms of the 2000s, I also trace developments to roots laid by international partnerships and platforms established during the first IMF-led reform project of the Mubarak era in the 1990s.

On the micro-level, this is a story of some of the central networks of 'globalizers' (Springborg and Henry 2010)—or individuals who rose to become chief mediators for internationally funded initiatives to empower Egypt's 'private sector.' I examine their ascent in the industrial policy-making space during the tenure of the first businessman cabinet member, Rashid Mohammed Rashid (2004-2011). I focus on the role of these networks in capturing the central 'business development' programs initiated alongside the reforms of the 2000s, which I argue served as platforms for accessing both immediate rent streams, as well as for shaping industrial policies to gain future rents.

I then follow a handful of these individuals as they secure one highly controversial industrial policy: the Qualifying Industrial Zones (QIZ) trade agreement between Egypt, Israel and the US. In particular, I highlight the web of individuals and organizations mobilized in the process, providing close examination of the small cohort standing at the center of negotiations. I draw from targeted interviews and participant observation conducted over three years of fieldwork and triangulate findings with printed sources including corporate press releases, leaked US embassy cables and evaluations by international development organizations.

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[1] Please keep this document confidential as some material is sensitive and circulation might hinder future research.

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Acronyms

AmCham: American Chamber of Commerce
BusinessMed: Union of Mediterranean Confederations of Enterprises
ERF: Economic Research Forum
ECES: Egyptian Center for Economic Studies
EDBE: Export Development Bank of Egypt
EDF: Export Development Fund
EEA/ExpoLink: Egyptian Exporters' Association
EEPC: Egyptian Export Promotion Center
EMFN: Egyptian Microfinance Network
ERF: Economic Research Forum
ERSAP: Economic Reform and Structural Adjustment Program
EU: European Union
EUSBC: Egypt-US Business Council
FEC: Furniture Export Council
FECC: Federation of Egyptian Chambers of Commerce
FEI: Federation of Egyptian Industries
GAFI: General Authority for Investment and Free Zone
IFI: International Financial Institutions
IFC: International Finance Corporation
IMC: Industrial Modernization Center
IMF: International Monetary Fund
MedAlliance: Mediterranean Alliance
MENA: Middle East and North Africa
MFA: Multi-Fiber Arrangement
MOIT: Ministry of Industry and Trade
OECD: Organization for Economic Cooperation and Development
PPP: Public Private Partnership
QIZ: Qualifying Industrial Zones
RMG: Ready-Made Garments
RMGEC: Ready-Made Garments Export Council
SFD: Social Fund for Development
SME: Small and Medium-sized Enterprise
TEC: Textile Export Council
USAID: US Agency for International Development
WB: World Bank
WC: Washington Consensus
WTO: World Trade Organization

Introduction

The increased globalization and economic liberalization of the past 30 years has changed the dynamics of elite participation in domestic political economies considerably. Lines once more firmly drawn between the various arenas in which political and economic developments play out—the domestic and international; the 'private sector' and 'the state'—have become increasingly obscured. This has also meant the opening of new avenues for the abuse of power. Crony capitalism, traditionally discussed as a domestic arrangement between individuals operating in business and government, has been complicated by market liberalizing reforms, which have introduced new categories of actors alongside increased flows of international capital. Naturally, this capital has had empowering effects for those with access to it, while sidelining those who do not.

This dissertation examines how some of these dynamics unfolded in Egypt during the country's 'second round' of Mubarak era market liberalizing reforms (2003-2011) coinciding with the rise of the 'Businessmen Cabinet.' On the macro-level, this dissertation tells a story of elite resource capture that occurred alongside Egypt's experience of economic liberalization. While particular attention is paid to reforms of the

2000s, I also trace these developments to important roots laid by international partnerships and platforms established during the first IMF-led reform project of the Mubarak era, the 1991 Economic Reform and Structural Adjustment Program (ERSAP).

On the micro-level, this is a story of some of the central networks of 'globalizers' (Springborg and Henry 2010)—or individuals who rose to become chief mediators for internationally funded initiatives intended to empower Egypt's 'private sector' throughout the 90s and the 2000s. Specifically, I examine their ascent in the industrial policy-making space during the tenure of the first businessman cabinet member, Rashid Mohammed Rashid, inaugurated as Minister of Industry and Trade in 2004. I focus on the role of these networks in capturing the central 'business development' programs initiated alongside the reforms of the 2000s—overlaid on the foundations of those established in the 90s—which I argue served as platforms for accessing both immediate rent streams, as well as for shaping industrial policies,[1] which in turn allowed them to entrench access to rents in the future.[2]

I continue by following a handful of these individuals through their participation in securing one highly controversial industrial policy: the trilateral Qualifying Industrial Zones (QIZ) trade agreement between Egypt, Israel and the US. In particular, I highlight the web of individuals and organizations mobilized in the process, providing close examination of the small cohort standing at the center of negotiations. Starting from Egypt's earliest market liberalizing reforms (Sadat's 1974 *infitah*), this cast of characters

[1] 'Industrial policy' refers to direct attempt by the government 'to change the incentive structure and stimulate activities in particular industries,' and can include a wide range of mechanisms from subsidies to export zones to trade policy (Robinson 2009).

[2] While rent seeking can take many forms—lobbying, monopolies, cartels—in essence it describes a situation in which owners of capital are able to gain more profit that they would in a competitive market (*Economist* 2016).

rose to become the kings of the country's largest (non-petroleum) industry: textile and garments. Encapsulated in their story we find the story of Egypt's encounter with market liberalization.

Indeed, the textile and garment sector offers itself as the most appropriate stage for this type of examination, not only for its great political and economic import for Egypt—constituting 27 percent of the country's industrial production (Oxford Business Group 2012, 40) and employing an estimated 20-30 percent of the industrial workforce (Ghoneim 2013, 4)—but also for the sector's unique position in the international arena as a 'quintessential global industry' (Gereffi et al 2009, 3), which has undergone great transformations since the 1970s in the face of globalizing trends. In this sense, Egypt's textile and garment sector will serve as a case study of sorts. However, as will become apparent in the chapters that follow, limiting analysis to a particular industry leaves out much of the story; The elite individuals who used this industry as an *entrepont* to the 'private sector' have since expanded into traditionally more lucrative, nonproductive arenas—most notably, real estate and finance. Accordingly, emphasis will also be placed on this diversity of economic activity in the portfolios of top business elite, which was intensified during Egypt's reforms towards greater 'financialization' throughout the 2000s (e.g. Roll 2010).

However, this is only one side of the coin. Economic exclusion—the natural corollary to resource capture—also shares central focus in this study. Indeed, it is the 'reform losers' who provide the core motivation behind this dissertation. I aim to shed light on some of the mechanisms by which the Egyptian majority has been excluded from

Egypt's economic growth during neoliberal reforms of the 1990s and the 2000s; as well as how these structures of exclusion persist in the post-Mubarak era.

The Research Puzzle

The guiding question of this dissertation asks: *What accounts for Egypt's 'Missing Middle,'* or deficit of medium-size firms (Al-Yahya and Airey 2012)? I posit that the enduring exclusion of smaller firms has been a result of three main phenomena:

> 1) *The nature of Egypt's business-state relations*, highlighting the different manifestations of these relations depending on the socio-economic position of individual business actors;
>
> 2) *Elite cooption of national economic development programs*, emphasizing the complicity of international donors interested in promoting economic liberalization and geostrategic concerns; and relatedly,
>
> 3) *The institutionalization of privilege* amongst the entrepreneurial and political elite through the establishment of *'quasi-governmental' bodies,* or *'Public Private Partnerships' (PPPs),* as well as an accompanying regime of laws and industrial policies.

These hypotheses are examined through three more informed questions, namely:

> (1) *What were the mechanisms that facilitated the capture of resources by domestic elites as networks of privilege were reorganized during Egypt's 'second wave' of market liberalizing reforms (2003-2011)?*
>
> (2) *How did these mechanisms function to promote structural economic exclusion?*

And, as will be considered in the final section:

> (3) *How were these networks maintained, disrupted, or reconfigured in the post-Mubarak era (2011-2016)?*

The remainder of the introduction serves first to present the main bodies of literature with which this dissertation engages, highlighting contributions of this study. Secondly, I lay out the theoretical framework employed throughout subsequent chapters,

before offering a brief note on methodology, and finally providing a chapter outline with summary of arguments.

* * * * *

I. Engaging the Literature

The overarching frame for this dissertation is guided by globalization literature concerned with domestic developments in political economy (Springborg and Henry 2010). Within this frame, this study engages with two major strands of literature. The first is literature on networks and elite resource capture during periods of economic reform (Heydemann et al 2004; Haddad 2012; Hertog 2011), alternatively discussed under the framework of 'crony capitalism' (e.g. Adly 2011; Springborg and Henry 2010). The second stems from the field of international development, discussing 'business-state relations' and the role of industrial policies in promoting economic development (e.g. Rodrik 2006; Robsinson 2009).

1. The Frame: Globalization, Political Economy and Crony Capitalism

Following Springborg and Henry (2010), this dissertation maintains that globalization should be placed at the center of any analysis examining contemporary changes in the MENA region; And further, that globalization has brought with it a continuation of relationship structures that existed under colonialism. Like the colonial dialectic, the 'globalization dialectic' refers to ideas defining elite-mass relations (5)—or the contemporary manifestation of historic colonial dynamics between international and domestic elites, and between domestic elites and the majority. As Springborg and Henry (2010) posit:

> The new dialectics of globalization feeds on an unachieved colonial dialectic. Its thesis is the Washington Consensus,[3] shared by 'serious' economists, irrespective of nationality and vigorously, if selectively, imitated by certain of the local business and political elites as well (9).

Egypt offers a clear case of how these dynamics might unfold. During the Mubarak era rounds of Washington Consensus-inspired reforms (1991-2011), Egypt's 'globalizers' promoting economic liberalization served as the country's 'private sector' representatives on the international stage—a position which simultaneously granted them great economic resources from their international interlocutors. In turn, on the domestic stage, this globalizing elite was empowered over the Egyptian majority. The 'pro-free market' thesis of the globalization dialectic driving these developments shepherded in reforms encouraging an environment of deregulation, which proved ripe for exploitation by colluding powers—specifically, major capital holders and policy makers well-positioned to manipulate laws and regulations to their shared advantage.

International Crony Capitalism and Economic Liberalization in Egypt

Such arrangements offering economic and political privileges to a select group of individuals goes by many names. This dissertation follows Adly's (2011) discussion of cronyism as: 'the abuse of state power in issuing laws, decrees and regulations that would allocate public assets or ensure favored market positions to a politically selected few' (2). As Adly (2011) argues, Egypt's crony-based political economy was able to both develop and persist due to the combination of 'free market' reforms and weak state institutions, which facilitated greater access to national resources in the absence of proper oversight.

[3] Williamson's (1990) originally proposed 'Washington Consensus' (WC) described what he saw to be the dominant mindset regarding policy advice provided by D.C.-based organizations—particularly, the IMF, World Bank and US Treasury. His WC listed ten points, however, macroeconomic stabilization, privatization, and trade liberalization were the fundamental elements of the reform programs that would be applied throughout the 'developing' world.

Indeed, the record of various forms of abuse occurring alongside Egypt's market liberalizing reforms of the 1990s has been well documented (Wurzel 2004; Sfakianakis 2004; Adly 2011), and others aptly demonstrate how this abuse persisted during the reforms of the 2000s (Adly 2011; Adly 2013; Roll 2010). However, continuing under the frame of the globalization dialectic, I expand the scope of cronyism to the international arena, with a focus on the close collaboration between Egypt's business elite and foreign capital. I posit that, alongside cronyistic networks within the Mubarak regime, an analogous favoritism occurred between international community representatives and select members of the Egyptian 'private sector.' The effect was a similar, and parallel, empowering of many of the same individuals who came to be business favorites within the Mubarak regime during the rise of heir apparent, Gamal.

In particular, I highlight various arrangements of *rent-seeking*, or the acquisition of unearned income, which often formed the core of these cronyistic arrangements. I pay special attention to the various lobbying platforms funded by international donors, which placed tens of millions of dollars in the hands of a relatively small group of individuals who served as US and EU interlocutors. In doing so, I attempt to contribute evidence to the suggestion that international partners have constituted a central factor facilitating the persistence of a crony-based political economy in Egypt (Adly 2011). More specifically, this dissertation traces a handful of Egypt's business elites through a number of the organizations and funding streams established during the reforms of the 1990s; and follows the development of their relationships with lucrative foreign capital into the second wave of reforms in the 2000s. By focusing on some of the core individuals and organizations interacting with various forms of foreign capital, we can better see the

cumulative effects of international efforts to promote the 'private' sector in the creation of Egypt's predatory elite, which has both long-term economic and political consequences for economic exclusion in Egypt.

This dissertation foregrounds the temporal implications of these relationships. As Roll (2010) argues, the second wave of reforms (2003-2011), bringing significant changes to the financial sector, enhanced the 'structural power' of top economic elites (366). That is to say, along with an accumulation of capital came new forms of leverage over policy makers. Businessmen could move their capital abroad or slow investment rates to influence policy in their favor. Capital market development expanded the ability of Egyptian business elites to 'join forces with foreign capital' as well as transfer assets abroad, thus eschewing threats of government interference (Roll 2010, 366).

I examine some of the central beneficiaries of these shifts in 'structural power' over the course of their participation in the private sector. In doing so, I engage with the hypothesis offered by Springborg and Henry (2010) that:

> The emerging crony capitalism in the [MENA] region may not be a merely transitional, functional phase for further development of a productive market economy, since another plausible scenario is that the present state-dependent, crony capitalism may have created a nexus between the political elite and successful businessmen that is too central to the system, too institutionalized, and too remunerative to both sides for it to be easily broken (162).

The initial chapters of the dissertation support Springborg and Henry's suggestion regarding the enduring nature of their partnerships by examining this 'nexus' between a handful of businessmen and political elites, and the institutionalization of their relations during the rise of the 'Businessmen Cabinet' (2004-2011). However, I add the caveat that such a business-state divide, particularly during the era of the Businessmen Cabinet, obfuscates the true nature of individuals' roles. Instead, political and economic elites

often either moved freely between both sectors themselves, or formed close partnerships with *mediators* (Latour 2005)[4] who did so for them. In particular, I foreground the role of international capital in shaping the dynamics of this system, highlighting USAID-funded programs (Chapters 3 and 4) and then those taken up by the EU (Chapter 5).

Naturally, a new set of variables introduced by the 25 January Revolution also begs the question: what happens to 'state-dependent crony capitalism' following regime change? I examine this question in the final chapter and rephrase Springborg and Henry's proposition to suggest that rather than witness the persistence of a particular nexus between political and economic elites, what we see instead is an economic elite so empowered by their wealth that, regardless of regime transfer, will continue to play a formidable role in shaping Egypt's political economy.

2. Business-State Relations & Networks in Periods of Reform

Literature on the role of business-state relations in economic development flourished around the debate analyzing the 'East Asian Miracle.'[5] Some studies highlighted the positive contributions of effective collaboration (Amsden 1989; Evans 1995), while others emphasized the negative outcomes of rent seeking and collusion (Winters 1996; Hutchcroft 1998). But regardless of the nature of the consequences, few have disputed the relevance of business-state relations when considering outcomes of economic reforms (Schnieder 1998). And yet, there remains much uncertainty regarding how these relations function. As Granovetter (2005) notes, 'the *network overlap* between the state and business has not been studied in careful detail [emphasis added]' (443).

[4] Discussed in greater depth in the theoretical framework below.
[5] The 'East Asian Miracle' refers to the great economic growth experienced by East Asian countries between 1965 and 1990, led by Japan, and the 'Four Tigers:' Hong Kong, South Korea, Singapore and Taiwan (see for example, World Bank 1993).

Indeed, a number of studies discuss business-state relations in Egypt. However, interactions tend to be assessed at the macro-level with analysis focusing on broad economic consequences (Kienle 2004; Sfakianakis 2004; Roll 2010; Chekir and Diwan 2013). What is more, 'business' and 'state' tend to be conceptualized as monolithic blocks, without proper examination of the complex interactions of actors operating within and between these abstract categories. As argued throughout this dissertation, such a division has become increasingly problematic in the current era deeply shaped by developments of economic liberalization—particularly following widespread privatization, shifting the ownership from 'public' to 'private' overnight and creating new 'businessmen' in the process. While existing macro-level studies are informative with regard to the general nature of relations between individuals operating in Egypt's political and economic spheres, they fail to pinpoint the mechanisms by which pernicious relations are formed and, more importantly, sustained. What is missing in the literature is close examination of specific networks as well as the organizations in which those networks are embedded.

Networks of Privilege in Egypt

Most directly, this dissertation aims to complement the work of Adly (2011; 2013), who has written extensively on contemporary developments in Egypt's political economy. Adly (2011), for example, expertly handles sources revealed in the immediate aftermath of the 25 January Revolution, examining *how* cronyism and corruption operated in the environment of Mubarak era reforms by reconstructing a number of central regime networks. While Adly examines how these networks developed around the axes of land and extractive resources, this dissertation instead takes as its focus

internationally funded development projects and transnational business arrangements.

Earlier studies have also highlighted the role of networks in business-state relations and their impact on the implementation of neoliberal reforms (Heydemann et al 2004). This literature provides important historical and theoretical context for my analysis. Sfakianakis (2004) for instance uses the lens of network analysis to examine participation of Egypt's bureaucrats and business elites in the ERSAP reforms of the 1990s. He demonstrates that by taking advantage of economic openings created during a period of privatization, state officials and former bureaucrats were able to establish strategic networks and gain privileged access to state resources (*ibid* 78).

Wurzel (2004) similarly addresses the political economy of Egypt's reforms in the early 1990s. However, rather than focus on the *creation* of networks made possible by the period of reform, Wurzel discusses the nature of pre-reform networks and how they shaped the implementation of economic reorganization. He examines the question of why pre-reform patronage networks were not replaced by more formal market relations following IMF pro-market reforms. Wurzel argues for the importance of 'a historically determined social context' and highlights the role of larger institutions in which individual actors and their networks are embedded (2004, 103). He then uses these various levels of analysis to help explain how economic privilege is organized and how rent is acquired and apportioned in a rentier state.

While these studies are useful starting points, they leave a number of pathways to be explored. First, as noted, I pick up where Sfakianakis and Wurzel leave off temporally by examining business-state relations during economic reforms of the 2000s. While it is well documented that relations between major business players and state officials resulted

in a capture of the 1991 IMF-led reform process (Sfakianakis 2004; Wurzel 2004; Kienle 2004), little has been discussed of the mechanisms by which this capture was perpetuated and refined during the second phase of the reform process in the 2000s. In this dissertation, I posit that if the economic reforms of the 90s constituted the 'era of privatization' (Sfakianakis 2004) with well-positioned individuals gaining privileged access to state-owned enterprises transferred to the private sector, the 2000s should be seen as both the *era of exports* and the *era of financialization*. I argue that with the deepening of economic liberalization, manipulation of industrial policies concerning exports became a central arena for entrenching the privileges gained from the privatizations of the 1990s (Chapters 5 and 6). So too did increased financial liberalization, facilitating the movement of Egyptian elites' capital, simultaneously enhancing their 'structural power' (Roll 2010) (Chapters 5 and 8).

Second, I attempt to add the anthropological details of networks—that is, the 'social nature' of the relations between relevant actors—absent in the more macro-approaches offered by the studies above. Although the authors initially set up the importance of networks and how they are created, they proceed with a largely vague exposition of 'proximity to the regime' (Sfakianakis 2004, 93), providing macro-level data (e.g. the transfer of company shares) rather than discuss the social nature of those transactions. The actual form and flow of the networks is not provided. This dissertation aims to provide a closer examination of the nuances of networks and their consequences by exploring how they functioned in the realm of internationally funded 'development' programs, and the industrial policy making space of the Businessman Cabinet, with a special focus on Egypt's textile and garment industry (Chapters 5 and 6).

Finally, what is missing from the literature is discussion of where small and medium enterprises ('SMEs') fit into equations of 'business-state relations'—thus further complicating the oft-used binary, and, as this dissertation argues, failing to take into account a key factor in the exclusion of smaller economic actors. This study is unique as it reconsiders the analytical framework of business-state relations, examining multiple tiers of interactions—that is, small and medium-sized enterprises and their respective relations with low-level and (what I will call) '*quasi-governmental' bureaucrats*, in addition to the traditional focus on big business owners and their relations with the political elite.

Networks and Rent in times of Economic Reforms

Hertog (2011) offers useful precedent for this latter objective as he explores multiple tiers of 'the state'—from lower-level bureaucrats to political elite—and their differential effects on 'society' during reform implementation. He examines how social networks provide access to resources in the Saudi state and the types of power relations that emerge in the process. Hertog's study illustrates the importance of personalized networks between state officials and broader members of society in determining how policies are implemented, arguing that hierarchically-conceived economic policies are at times 'subverted by society on the micro-level where the state's many individual clients are difficult to police' (11).

However, while Hertog's study is helpful for providing a more nuanced look at meso and micro-level interactions between state officials and members of society, he fails to examine the structural conditions within which these relations function. I argue that in the case of Egypt rather than serve to redistribute power, similar networks between

smaller businesses and lower-level bureaucrats should instead be seen as collaborations of convenience that do not allow space for economic growth, but rather serve as modes of subsistence—thus perpetuating the problem of Egypt's 'missing middle' (a theme most directly addressed in Chapter 2).

The Interplay between Networks and Institutions during Economic Reforms

Finally, examining the case of Syria, Haddad (2012) highlights the recursive relationship between networks and the broader institutions in which they function, as well as their impact on development during the reform process. As Haddad (2012) posits, discussions of business-state relations tends to lack a 'conceptualization of agency' (11). That is to say, there is insufficient attention to *who* constitute the complex web of actors central to determining reform outcomes.

This study takes a cue from Haddad, highlighting, in addition to institutions, the relationships between networks and *organizations* to illustrate how networks are 'both formed and reformed by the context in which they are embedded' (Haddad 2012, 14). As North (1990) contends: 'when we examine the costs that arise as a consequence of the institutional framework we see they are a result not only of that framework, but also of the *organizations* that have developed in consequence of that framework [emphasis added]' (4). I highlight the importance of how organizations have been organized—that is, who funds them, who leads them, and who has access to their benefits as consequence of the framework in which they have been created. In doing so, I aim to shed light on the determining factors of who gains access to the fruits of economic growth, as well as how others are excluded. Finally, alongside this examination of the interplay between networks, institutions and organizations, I incorporate material and ideological elements

into my analysis through the frame of the *business-state assemblage*—outlined in the section that follows.

* * * * *

II. Theoretical Framework: Networks, Capital, Rent, Brokerage and the Business-State Assemblage

1. Network Theory

What is actually meant by 'network theory' varies considerably from discipline to discipline. This dissertation draws from the sociological perspective, which emphasizes the importance of examining how linkages are created and maintained, as well as *the flow of resources* between those linkages, in analyzing networks of individuals and their consequences. While network theory has become a malleable concept, an 'underlying intellectual unity' can be found in a few major themes (Wellman 1988, 20). Most importantly: (1) analysis of actions emphasizes the relationship between *individuals*, as opposed to category-based descriptors (e.g. businessman, bureaucrat, minister); (2) individual behavior is assumed to be deeply shaped by 'structural constraints on activity' (e.g. social class, institutions), rather than simply based on 'inner forces;' and (3) social structure is understood in terms of 'a network of networks,' which is potentially, but not necessarily, divided into distinct groups (*ibid*). As Wellman (1988) notes, this approach allows us to observe directly 'how patterns of ties allocate resources in a social system' (20). In other words, network analysis helps us trace the flow of resources between linkages; it helps us see who is and is not benefitting from existing patterns of relations, as well as the gaps existing between distinct levels of networks.

2. Expanded Capital: Cultural, Social and Cosmopolitan

Following from a principle of network theory, which emphasizes structural constraints on individual behavior, Bourdieu's notion of diverse forms of *capital* further offers a useful frame. For Bourdieu, the structure of the social world—that is, the set of constraints governing an individual's participation in society—depends on the nature of the distribution of three forms of capital: *cultural* and *social*, in addition to the traditional *economic* (1986). *Cultural capital*, as defined by Bourdieu, is the collection of symbolic traits acquired through being part of a particular social class.[6] The performance and internalization of one's cultural capital can then be converted into *social capital*—that is: 'the sum of the resources, actual or virtual, that accrues to an individual or group by virtue of possessing *a durable network of more or less institutionalized relationships* of mutual acquaintance and recognition [emphasis added]' (Bourdieu and Wacquant 1992, 119). In other words, social capital is the currency one possesses, material or not, based on the *network* of relationships he or she holds.

However, Bourdieu's three forms of capital are not entirely distinct. Both cultural and social capital can potentially be converted into economic capital; and ultimately, economic capital 'is at the root' of each (Bourdieu 1986, 252). Accordingly, Bourdieu finds traditional assessments of wealth and inequality based on *economic capital* to be highly reductionist. Instead, he foregrounds cultural and social capital as two additional exclusionary devices that strengthen the elite at the expense of those less-endowed with this capital trifecta (Bourdieu 1986).

[6] Bourdieu then breaks cultural capital into three subtypes: *embodied*, *material*, and *institutional*. The former includes internalized elements (e.g. language, mannerisms), while *material* refers to external markers (e.g. clothing, cars), and *institutional* capital takes the form of credentials, such as educational degrees and certificates (1986).

The concepts of cultural and social capital are thus valuable in understanding both the nature of economic exclusion as well as preferential inclusion—particularly when discussing the core themes of this dissertation: (1) consequences of partnerships between Egyptian elites and international bodies (whether development organizations, business associations, or financial institutions); (2) unequal distribution of benefits resulting from industrial policies; and (3) the everyday nature of business-state relations for various slices of the socioeconomic spectrum.

By conceptualizing networks as fundamentally based on an individual's cultural and social capital, we can better understand why foreign development projects fail to adequately reach their ostensible targets. Instead, international agents rely on the local 'English knowers,'[7] possessing shared cultural capital, often educated abroad or in elite Western-oriented institutions at home (Chapter 5). We can also see how cultural and social capital-based networks often define not only who participates in policy-making, but also who benefits from the ensuing policies (Chapters 4, 5 and 6). And finally, how cultural and social capital-based networks offer space for a 'collaboration of convenience' between smaller firm owners and lower-level bureaucrats—a collaboration that, as previously noted, serves as a mode of survival, but offers little by way of promoting formal economic inclusion or business growth (Chapter 2).

The common thread that weaves throughout this dissertation is the attempt to foreground the role of these cultural and social capital-based networks—transcending

[7] The term 'French knowers' was used to refer to a rising European-educated elite in Egypt during the Ottoman era. These individuals became the natural interlocutors for foreign officials and achieved increasing dominance in directing state affairs (Cleveland and Bunton 2009). Throughout the dissertation I refer to the 'English knowers' as the modern manifestation of this earlier phenomenon. This reflects the shift in importance of French to English as the language holding the highest currency value in terms of *cultural capital* in Egypt.

notions of public vs. private or domestic vs. international—in defining how market liberalizing reforms and their accompanying 'pro-poor' programs play out on the ground in Egypt.

Bourdieu's interest in understanding the ways in which dominant classes maintain their positions of privilege makes him an appropriate reference point for this study. Like much of Bourdieu's work, this dissertation is motivated by the question of how society is reproduced—that is, how socioeconomic mobility is thwarted for the majority, and how others secure their privileged space. It is difficult to grasp the mechanisms of social inequality and exclusion without grappling with the effects of this augmented notion of capital.

Bourdieusian Capital and Globalization

In attempts to make Bourdieu's expanded capital more applicable to present trends of increased globalization, recent sociology literature has added a transnational angle. While most studies engaging with the concept offer vague reference to an *international* or *cosmopolitan capital* without fully defining the term (e.g. Dezalay and Garth 2011; Weenink 2008; Maxwell and Aggleton 2015), some discuss it as a subtype of cultural capital, stressing the features of foreign language skills and travel savvy (Wagner 2007), and others classify it as a shade of social capital, emphasizing international connections (Carroll 2010).[8]

Still others posit cosmopolitan capital as a phenomenon deserving a category of

[8] Of particular relevance to this dissertation is literature examining the transference of cosmopolitan capital to the national arena (Bühlmann et al 2012; Dezalay and Garth 2011). These scholars explore how skills, connections and symbolic capital cultivated abroad are then employed in domestic political economies. (The other major strand of literature, of less import for this dissertation, focuses instead on the role of international education systems in cultivating international social and cultural capital (Weenink 2008; Maxwell and Aggleton 2015)).

its own, pointing to an increased need to differentiate between global and national orientations of elites following the internationalization of commerce in the 1980s (Bühlmann et al 2012).[9] These scholars conceptualize cosmopolitan capital as combining features from both cultural and social capital as they exist specific to the international field, namely: 'experiences abroad, international networks, language skills and transnational degrees' (*ibid* 212).

This dissertation follows Bühlmann et al's (2012) definition of cosmopolitan capital as a distinct resource, but includes under the concept's umbrella international finance—'global capital' in the traditional economic sense. The reason for this inclusion will become clear below in the final framing device of the *business-state assemblage*.

3. Rent Reconsidered: Rent streams of Cosmopolitan Capital

As applied to the Middle East, the idea of rent, or 'unearned income,' is typically discussed in the political science context at the macro-level, with rent received by 'the state' in the form of natural resource revenues or foreign aid (Biblawi 1990; Vandewalle 1998; Soliman 2011).[10] However, this top-down perspective obscures the nature of rent streams operating at the meso-level within networks, or the micro-level between individuals. Hertog (2012) takes a more refined approach, examining how oil rents shape state-society relations in Saudi Arabia differently at various levels of 'the state'—from lower-level bureaucrats to political elite. He looks at the effects of rent distribution on a

[9] Bühlmann et al (2012), for example, trace the evolution of Swiss business elite (1980-2010) to examine how hierarchies in elite spaces have been impacted by major trends of internationalization, positing: 'the growing importance of experience abroad, of English language skills and of international degrees, has potentially swirled up the relations of power and the hierarchies in national elite spaces' (Bühlmann et al 2012, 212). They argue that 'internationalized' elites have come to dominate major Swiss firms, while national forms of capital are losing importance.

[10] Soliman (2011) refers to Egypt as a 'semi-rentier state,' citing Suez Canal revenues and exceptional amounts of foreign aid as major financial streams shaping 'state-society relations' (35). He explains how the latter gained particular relevance since Sadat's political and economic reorientation of the country westward.

diverse range of institutions and social groups. Hertog's (2012) re-examination of rentier processes to include meso and micro-foundations in his analysis offers a useful starting point for this study.[11]

This dissertation similarly brings the notion of rent down to the level of organizations and individuals, but differs in two significant ways. First, it focuses on rent streams provided by foreign aid and international business (as opposed to oil). I attempt to demonstrate how foreign funded development programs, export promotion projects, and other trade-related industrial policies created rent streams for the 'English knowers'—that is, the Egyptian elite possessing lucrative cultural, social and cosmopolitan capital. Second, rather than limit analysis to economic rent streams themselves, this dissertation examines the *cultivation* of rent streams—in particular, those achieved through use of cosmopolitan capital (or cultural, social and economic capital existing in the international field).[12]

More concretely, I emphasize the ways in which international partners created forums in the development and business communities that offered networking opportunities—i.e. opportunities for expanding social capital—to select groups of individuals. This can be seen through the creation of partnerships with development organizations [the Industrial Modernization Center (IMC) and Social Fund for Development (SFD)], transnational business associations [American Chamber of

[11] This dissertation follows the definition of rent as: the unproductive use of resources to claim wealth and/or promote policies that allow for access to privileged benefits; 'Much of rent seeking involves government or political decisions . . . but rent seeking also takes place in personal relations and within firms and bureaucracies' (Congleton and Hilman 2015, xvi).

[12] Sorensen (1996) provides a useful example for how rent may be considered in a non-economic sense, employing the concept to explain how social structure creates social inequality. He highlights the fact that some individuals receive certain advantages based on their position in the social hierarchy; and that these advantages are received regardless of behavior. Sorensen explains that this unearned advantage should be seen as a form of rent. See also Stiglitz (2015) for a critique of lobbying as rent seeking and detrimental to economic equality.

Commerce (AmCham), Union of Mediterranean Confederations of Enterprises (BusinessMed) and Mediterranean Alliance (MedAlliance)], neoliberal think tanks [the Economic Research Forum (ERF) and Egyptian Center for Economic Studies (ECES)], and export promoting groups (USAID-funded ExpoLink and Export Councils) that are led by Egyptian elite representatives and demonstrate *de facto* or *de jure* modes of exclusion (Chapters 4, 5 and 6). I argue that these groups and their accompanying international conferences facilitated elite capture of resources—namely in the form of access to: (1) new markets, (2) policy influence, and (3) foreign funding to expand their businesses. By tracing the flow of Egypt's multi-faceted rents at more nuanced levels, we can better observe how privilege is entrenched for some, while the majority of Egyptians remain excluded.

4. Brokerage: Facilitating Rent Streams of Cosmopolitan Capital

In order to examine how the flow of these rent streams is maintained, the concept of *brokerage* from critical development literature (e.g. Bierschenk et al 2000; Mosse et al 2006) offers a useful tool. As Bierschenk et al (2000) explain, *brokers* operate 'at the interfaces of the development worlds,' and through their mediation, capture resources along the way (Mosse et al 2006, 2). The notion of brokerage is widely employed in ethnographic approaches engaging with 'the social life of development projects.'[13] However, rather than confine the *broker* archetype to the realm of development, this dissertation highlights how he/she functions across categorical divides. The broker becomes the mediator between international interlocutors and domestic spaces of the political economy—whether in development, business, or policymaking.

[13] See for example, works from the Manchester school of anthropology.

Indeed, we see Mosse's archetype of the *skilled broker*—characterized by 'a range of competencies,' from linguistic to organizational to relational (2006, 16)—perform his/her brokerage between international financial institutions, foreign governments, business associations, development organizations, and domestic policy-making circles. The skilled broker foregrounds the role of the often elusive middleman, who operates at the nexus of 'different world-views and knowledge systems' (Mosse et al 2006, 10)—a figure appearing time and again throughout this dissertation.

The characterization of the skilled broker as an individual possessing certain linguistic and cultural abilities fits neatly into the aforementioned frame of expanded capital. Brokers can, in many ways, be understood in terms of the *cosmopolitan capital* they possess. Indeed, the international angle is inherent to the concept of brokerage. As Mosse et al (2006) explain, brokerage should be understood as positioned:

> [W]ithin the fragmented politics of the postcolonial state, where power is exercised both through formal bureaucratic logics and through a diverse range of 'supra-local' associations and networks, in which there is a flourishing of intermediate actors and organizations (11).

This dissertation highlights these 'supra-local,' or transnational mediators, associations, organizations and networks at work in defining Egypt's political economy during the increased market liberalization of the 2000s.

5. Assemblage: Incorporating Inconspicuous Actors

Until now, this section has offered useful theoretical tools for examining the human dimension of networks. However, a more inclusive framework is necessary in order to integrate important material and ideological considerations. As Latour (2005) argues, we must reassess our bias towards human agency and grant proper consideration to less conventionally conceptualized agents. In his revised social ontology, Latour

defines 'the social' as an *assemblage* of fluid relations between both human and nonhuman actors. As he asserts, society should be traced in terms of *the full range of associations* that actually comprise it, which includes the 'connection between things that are not themselves social' (Latour 2005, 238).

For example, Latour's *mediator* resembles the broker archetype, but expands the concept to include nonhuman dimensions. Like brokers, mediators serve as go-betweens that 'transform, translate, distort, and modify the meaning of the elements they are supposed to carry' (*ibid* 39). However, unlike brokers, mediators possessing this transformative agency can take the form of objects or ideological concepts in addition to individuals.[14]

Mitchell (2002) takes a similar approach, stressing the need to develop an analysis that responds to 'the techno-scientific transformations of the 20th Century' (28). He also invokes the concept of assemblage, offering a more concrete example. Examining Egypt's sugar industry, Mitchell attributes its drastic historical transformation to interactions between diverse factors such as Anglo-Egyptian relations, military tactics, irrigation methods, hydraulic engineering, parasites, and peasants. He laments that:

> There are no accounts that take seriously how these elements interact. It is as if the elements are somehow incommensurable. They seem to involve very different forces, agents, elements, spatial scales, and temporalities. They shape one another, yet their heterogeneity offers a resistance to explanation (*ibid* 27).

For Mitchell, the reluctance to incorporate these seemingly disparate factors into a single analysis obscures understanding of important causal mechanisms. He contends that this problem stems from a dominant assumption in the social sciences that the protagonists of

[14] Latour places this in contradistinction to *intermediaries* which, he explains, produce expected outcomes and merely serve a 'rubber-stamping' function.

the story are always human: 'Human beings are the agents around whose action and intention the story is written' (Mitchell 2002, 29). Such anthro-centrism then provides a false transparency as analysts of the social decide a priori who the 'agents' are. Meanwhile, nonhuman elements are seen as 'merely physical, secondary, and external' (*ibid* 30).

Global Assemblages

Recent globalization literature has also found assemblage a valuable frame for analyzing contemporary phenomena. Collier and Ong et al (2005), for example, address the 'anthropological problems' emerging from increased interaction between 'global forms' and the 'local'—the outcome of which they term *global assemblages* (4).[15] Their edited edition examines a range of these global assemblages, from international finance to pharmaceuticals. Of particular relevance for this dissertation is their discussion of neoliberal reform as assemblage. Collier and Ong (2005) posit that the global nature of neoliberalism has resulted in the development of unique relationships. As neoliberalism interacts with diverse domestic settings, these novel relationships define the 'actual shape and significance' of neoliberalism—only visible once the political rationality 'enters into assemblages with other elements' (13). This approach allows us to account for important phenomena that have emerged in the wake of initial neoliberal reform programs, such as a marked increase in black market activity. As Collier and Ong (2005) contend: 'This circumvention and its effects are as much a part of the assemblage as is the global form itself.'[16]

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[15] They summarize assemblage as: 'the product of multiple determinations that are not reducible to a single logic. The temporality of assemblage is emergent. It does not always involve new forms, but forms that are shifting, in formation, or at stake' (Collier and Ong 2005, 12).

[16] For example Dunn (2005), in their edited volume, looks at the case of the Polish meat-packing industry

The Business-State Assemblage

Taking a cue from the above literature (Latour 2005; Mitchell 2002; Collier et al 2005), this dissertation highlights the importance of tracing *associations* between heterogeneous elements—e.g. individuals, neoliberalism, trade regimes, and global finance. Thus, rather than examine the socioeconomic consequences of business-state relations through traditional network theory (Heydemann et al 2004; Haddad 2012), with its bias towards the human nature of networks, I expand on the aforementioned framing devices to examine what I will call Egypt's *business-state assemblage*. As the business-state assemblage will serve as a dominant frame throughout the following chapters, it deserves further elucidation.

Stepping back to the conceptual core, assemblage as applied to the social realm stems from the work of Deleuze and Guattari (1987). At its most basic, assemblage theory reconsiders the nature of systems or relationships between entities and upholds a number of basic principles that make it particularly appropriate for examining Egypt's reform era business-state relations.

(1) Heterogeneous components

First, an assemblage is comprised of *heterogeneous components*. It is used to describe apparently coherent wholes comprised of diverse parts.[17] By way of example, Deleuze and Guattari (1987) describe the 'feudal assemblage'—comprised of 'the interminglings of bodies defining feudalism'—which included not only the lord, serf and knight, but also the horse, weapons, tools, juridical regimes and oaths. They posit that it was only through

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and argues that while some producers are able to integrate into global markets, many others who lack the proper resources to meet international standards are forced to operate in the informal economy.

[17] 'An assemblage, in its multiplicity, necessarily acts on semiotic flows, material flows, and social flows simultaneously . . .' (Deleuze and Guattari 1987, 23).

this assemblage of the human, material and ideological that certain relationships comprising the feudal order were sustained (89).

Similarly, throughout this dissertation, I trace linkages not only between individual actors, but also between individuals and a range of material and ideological connections. I posit that these heterogeneous components comprise the *social assemblage* (Latour 2005) defining Egypt's political economy: from trade policies to special economic zones, imported cotton to smuggled goods, neoliberal think tanks to connected individuals.

Deleuze and Guattari (1987) classify the elements of assemblages as forms of either 'enunciation' or 'bodies,' loosely corresponding to discourse and matter. They explain: 'Only one side of the assemblage has to do with enunciation or formalizes expression; on its other side, inseparable from the first, it formalizes contents, it is a machinic assemblage or an assemblage of bodies' (Deleuze and Guattari 1987, 140). Thus we see 'expression' and 'contents' (or discourse and bodies) to be constitutive of the same aggregate and inextricably linked, existing in 'reciprocal presupposition' (*ibid* 145).

Accordingly, this dissertation highlights discourse to be an essential component of Egypt's business-state assemblage. In emphasizing the recurrent appearance of terms such as Public Private Partnerships (PPPs), quasi-governmental bodies, and small and medium-sized enterprises (SMEs), discussed in further depth below, I do not mean to suggest an inherent power in the words themselves, nor in the individual speakers invoking them. As Deleuze and Guattari explain, 'There is no subject, only collective assemblages of enunciation' (*ibid* 130). Instead, I point to this collective assemblage—

that is, the context of the people, pamphlets, capital, goods, materials, etc. lying behind the discourse—as contributing to the system of inequality and structural exclusion exacerbated by the reform era.

(2) Fluid, context-dependent, and aggregate

Second, assemblages are highly *fluid* and *context-dependent*: 'assemblages are in constant variation, are themselves constantly subject to transformations' (Deleuze and Guattari 1987, 82). As Deleuze and Guattari explain, an assemblage is the result of processes, and once created does not constitute a stable entity, but instead remains always contingent, emergent, and precarious; Its nature is in constant flux as it expands its connections (*ibid* 8).

Not only are assemblages subject to changes based on circumstance, but their components must also be understood as inextricably linked to surrounding context. There exist no individual parts; there is no singularity and no multiple. Instead, 'There are only multiplicities of multiplicities forming a single assemblage' (*ibid* 34). That is to say, individual components—whether tools, individuals or words—have no meaning in isolation.[18] It is the *amalgamation* of these elements that define systems.[19]

The importance of recognizing the fluidity of relations, acting in concert with changing contexts, will be highlighted throughout this dissertation. Indeed, Egypt's reform era offers ample examples of the fluid dynamics of the business-state assemblage as new opportunities are created and intra-elite rivalries heighten—a fluidity that becomes all the more apparent following the 2011 Revolution.

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[18] 'Tools exist only in relation to the interminglings they make possible or that make them possible' (Deleuze and Guattari 1987, 90). The same is true for words: 'There is a primacy of the machinic assemblage of bodies over tools and goods, a primacy of the collective assemblage of enunciation over language and words' (*ibid*).

[19] 'A society is defined by its amalgamations, not by its tools' (Deleuze and Guattari 1987, 90).

(3) Flat and non-hierarchical

Finally, assemblages are characterized by *flatness*, or a system of *non-hierarchical* relations transcending scale. Neither the 'macro' nor the 'micro' is given analytical priority, but rather social reality is perceived as being 'multiscaled' (DeLanda 2006, 38). The concept thus allows us to connect various tiers in the same analysis: 'An assemblage has neither base nor superstructure, neither deep structure nor superficial structure; it flattens all of its dimensions onto a single plane of consistency…' (Deleuze and Guattari 1987, 90). This notion of a unified consistency allows us to consider, for example, individuals and organizations as comparable entities;[20] And further, as I do in this dissertation, link 'domestic' networks of individuals, organizations, institutions and ideologies to international phenomena such as the changing ecosystem of globalized markets—that is, to international institutions, multinational corporations, and economic liberalization.

Conclusion

This frame of the business-state assemblage does not attempt to render the human irrelevant, but rather to incorporate other elements alongside traditional analysis of the social. It expands from the previously discussed frames of business-state relations, network theory, capital, and brokerage. While in their original forms these concepts focus on individuals, the business-state assemblage allows for a richer examination that includes additional factors, which are overlooked by analyses confining themselves to the above frames.

The ousting of Mubarak, then Morsi, and subsequent developments have offered

[20] As DeLanda (2006) offers by way of example, cities can be understood as assemblages of people, networks, organizations, and infrastructural components—all of which exist at different scales, and yet are essential to understanding the system that is the city.

concrete examples of the need to examine not only powerful human networks, but also material and ideological elements defining Egypt's reform era and post-Revolution political economy. Some human networks have remained, while others have been reconfigured, and others newly created. The final chapter of this dissertation engages with the changing nature of some of these important networks. However, their very fluidity, existing in parallel to persisting trends of structural exclusion and privileged access to resources, also emphasizes the need to integrate other factors into our analysis.

The overarching framework of neoliberal reforms and discourse offers a thread of continuity that has persisted through all post-2011 regimes, despite changing faces. And yet, following the principle of aggregation, or the need to recognize the multiplicity of parts comprising any apparent whole, this dissertation avoids mono-causal explanations blaming projects such as 'neoliberalism,' 'development' or 'colonialism;' or imaginary unified entities, such as 'the Egyptian State,' 'international community,' 'the West,' 'corporations,' and 'cronies.' Instead, I hold that the concept of assemblage, which allows for analysis of all of these elements, provides a far more useful tool for understanding the unequal outcomes of Egypt's market liberalizing reforms and the broader consequences of the past four decades of increased globalization in the country.

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III. On Methodology

1. Fieldwork

Fieldwork for this study was carried out in Cairo and Alexandria over multiple trips beginning July 2013 for my MPhil thesis, from which this dissertation (after *many*

iterations) eventually emerged. I have also spent much of the past seven years in Egypt, a fact essential to the feasibility of this study as it allowed me to cultivate my own network of contacts on which this project depended. Research was anthropologically informed in order to examine the nuances of how business-state relations play out in the complex webs of Egypt's political economy. I utilized a set of qualitative methods, namely: (1) semi-structured interviews, (2) systematic observation, and (3) discourse analysis.

(1) Interviews and Systematic Observation

I conducted interviews with individuals targeting four main groups: local and foreign business elites; owners of micro, small and medium-sized enterprises; government officials (from the General Intelligence and Security Services [*mukhabarat*], Ministry of Industry and Trade, and General Authority for Investments and Free Zones (GAFI) [an affiliate of the Ministry of Investment]); and civil society employees—particularly those working in the 'quasi-governmental' organizations established or redefined during the economic reforms of the 2000s. With regard to the latter, interlocutors included representatives from the Industrial Modernization Center (IMC), Social Fund for Development (SFD), Ready Made Garment Export Council (RMGEC), Textile Export Council (TEC), Federation of Egyptian Industries (FEI), and Federation of Egyptian Chambers of Commerce (FECC). Additional interviews were conducted with representatives of non-governmental organizations, namely the Egyptian Microfinance Network (EMFN) and Silatech. Interlocutors from international organizations included representatives from the World Bank Group's International Finance Corporation (IFC).

Interviews were conducted in both formal and informal venues. Those with informants from micro and small enterprises typically took the setting of their workshops

located in neighborhoods throughout the Cairo and Giza governorates, while interviews with medium-sized enterprises took place in the industrial zones of the Tenth of Ramadan, Sixth of October, El Abour, Burg el Arab, and Amreya, or in downtown Cairo office buildings. Meetings with business elites, state officials, and employees of 'quasi-governmental' bodies or SME development organizations also occurred in downtown offices or government buildings (specifically, the Ministry of Finance, Ministry of Industry and Trade, and GAFI), and sometimes in informal settings (restaurants, cafes and private homes).

The interviews conducted in more formal settings, such as official government buildings and offices, generally contributed to my pool of 'official discourse.' These 'official' meetings were accompanied by data collection (pamphlets, published texts, and official websites). Conversations conducted in less formal settings typically assumed a less formal tone and offered a more nuanced depiction of interviewees. I took advantage of informal settings to facilitate my research of 'back stage' behavior (Goffman 1959), which was particularly useful when speaking with members of the business elite, government officials, and bureaucrats of 'quasi-governmental' bodies who vacillated between official discourse and more candid expression. My interviews were semi-structured to guard against overly deterministic questions, while keeping the conversation centered around my research aims; And my approach, flexible with emphasis on the importance of careful listening and follow-up questions.

During these interviews and conversations, I also participated in systematic observation, taking note of modes of interaction, particularly between members of the business elite. The combination of systematic observation and informal interviews also

allowed for access to the more covert face of emerging business-state relations and the complex web of informal networks. To ensure that observations were as complete as possible, at the end of each day I took detailed notes on the conversations and situations experienced with my subjects, conscious of Goffman's notion of the 'freshness cycle' of observations and the importance of timely recording (1989, 130).

(2) Discourse Collection

This study is not only concerned with the nature of business-state relations, but also with how language is used to formalize and justify said relations. Thus, I also collected relevant texts and videos contributing to the body of discourse surrounding business-state relations and SME integration. This included pamphlets, promotional videos, and official websites of 'Public Private Partnerships' and SME development organizations as well as reports by foreign donor partners—specifically USAID, OECD and the World Bank—and working papers from Egypt's two major neoliberal think tanks: the Economic Research Forum (ERF) and the Egyptian Center for Economic Studies (ECES).

2. Data Analysis

This dissertation employs a combination of discourse (verbal and textual) analysis informed by dramaturgical analysis as well as network analysis. By using multiple sources of data and data collection techniques, I aim to provide a more nuanced examination of the individuals and linkages involved in political economic developments affecting participation in Egypt's business space.

(1) Discourse Analysis

As this study primarily utilized qualitative methods, the resulting pool of descriptive data required careful discourse analysis in order to detect patterns and explain significance.

Particularly in the case of formal interviews, rather than view the elicited information as truth, I paid close attention to the nuances of language—taking note of packaged phrases often repeated less as a reflection of 'reality' and more as a reflection of how the interviewees would like to be perceived. Speeches given by businessmen, as well as field notes from informal conversations were similarly subjected to discourse analysis. In addition to verbal discourse, this study utilized textual discourse provided by sources enumerated above. This analysis focuses on how publications of SME development organizations, Public Private Partnerships, and elite think tank working papers served to disguise the integration of business elites into policymaking positions—resulting in initiatives that served to benefit the few, while claiming to offer economic inclusion.

The type of discourse analysis employed is also qualitative in nature, guided by (1) the identification of patterns in language as they relate to particular topics, such as 'the state,' the 'private sector,' 'SME' promotion; (2) the constitutive power of language—that is, how the introduction of new terms allows people talk about new ideas (e.g. 'PPPs,' 'SMEs,' 'quasi-governmental' bodies); and (3) the understanding that language is situated in a particular cultural and social context (Wetherell et al 2001a).

(2) Positionality, Reflexivity and Dramaturgical Analysis

During fieldwork, I was conscious of the ways in which my positionality (a 'Western' female at a well-reputed institution) inevitably influenced the types of observations and interactions to which I was exposed. Often my particular positionality served in my favor. Indeed, it was clear many of my contacts only spoke so candidly with me due to my position as a young woman. While I was fully transparent regarding my role as a DPhil researcher, many conversations took very informal tones, revealing various connections

and key developments that would not have been shared in a typical 'formal' interview with, perhaps, a man in a suit. Meanwhile, the fact that I possess the requisite cosmopolitan capital (institutional if not economic) to access such circles was also key to my ability to conduct research of this nature.

The practice of reflexivity—or continuous 'self-aware analysis of the intersubjective dynamics' between researcher and interlocutor—helped me contend with my positionality (Finlay and Gough 2003, ix). As Finlay and Gough (2003) suggest, reflexivity can transform the researcher's presence from problem to opportunity. Through reflexivity I was able to adapt my interviews to suit the nature of the particular intersubjective dynamics at play.

Goffman's (1959) notion of dramaturgical analysis offered a useful complement to this interactive self-awareness. As Goffman explains, dramaturgical analysis allows us to consider 'the way in which the individual…presents himself and his activity to others, the ways he guides and controls the impression they may form of him' (1959, xi).

Key to this analysis is the concept of 'front stage and backstage,' or the idea that 'all social settings consist of a backstage where individuals prepare for a performance, and a front stage where they are on display' (Travers 2001, 53). During fieldwork and subsequent analysis, I maintained constant awareness of my positionality as I considered how interviewees choose to answer particular questions and 'perform.' Often, the informal intersubjective dynamics in motion during interviews allowed me greater access to observing 'backstage' activities. At times, our particular dynamics created situations of 'performing' success, which also revealed great insight into what transpires behind the scenes of Egypt's arena of economic elites. I have attempted to include the nature of

these interactions in this dissertation. By highlighting subjective elements of data collection and analysis, this study seeks to avoid claims to absolute truths, while still contributing to a deeper understanding of the human complexities inherent in Egypt's emerging business-state assemblage.

(3) Network Analysis and Sources

As previously noted, in order to properly examine these relations and their consequences, close examination of formal and informal networks within and between groups is necessary. Network analysis (or network theory, described in greater detail above) provided a useful paradigm for this aim. By drawing connections between individuals operating throughout various networks, I was able to analyze the consequences of relationships between actors representing various categories (e.g. 'foreign,' 'domestic,' 'state,' 'private sector,' 'development' organizations). This was helpful in demonstrating the mechanisms of elite resource capture, and the detrimental effects of rent stream creation through foreign funding for 'development' programs.

Sources for this endeavor were provided by a combination of information gained through dozens of interviews and meetings during fieldwork (July 2013-April 2016, nonconsecutive), as well as painstaking examination of: financial statements of companies owned by some of the elite businessmen considered;[21] executive board biographies on the official websites of the organizations and companies discussed; published *curricula vitae*; media interviews with Egyptian newspapers (*Al-Ahram Weekly*; *Egypt Daily News*; *el yom el sabaa'*); international development reports (USAID, OECD) citing interviews with their Egyptian 'private sector' interlocutors; and Wikileaks

[21] Under Egyptian law, joint stock companies (i.e. where company shares can be bought and sold) are required to report audited financial statements. Companies not publically traded are not subject to requirements of public financial disclosure.

cables between the US Embassies in Cairo and Tel Aviv and DC.

3. Chapter Breakdown of Analysis

The first three empirical chapters employ discourse analysis for various purposes: Chapter 2 for outlining differing conceptions of 'the state;' Chapter 3 for demonstrating how the space of SME development projects is discursively constructed and the structural implications of that construction; and Chapters 4 and 5 for examining how individuals and networks justify self-serving policy decisions in the name of national interest. Additionally, both Chapters 5 and 6 use discourse analysis to examine how 'quasi-governmental' bodies, 'Public Private Partnerships,' and 'SMEs' provide a veil under which economic exclusion is perpetuated.

In parallel, I employ network analysis to examine how a small group of political and business elites were able to: (1) capture the 'development' space for the national programs for industrial development and export promotion (Chapter 5), as well as (2) the industrial policies affecting the textile and garment sector, most notably, the creation of the QIZ trade agreement (Chapter 6) alongside the rise of the Businessmen Cabinet; And finally (3) to briefly traces the outcome of some of these networks following regime change (first with the short lived Muslim Brotherhood tenure, followed by the military-backed order) as cosmopolitan capital rich business elites maintain links with international business and development communities, and use their capital to reconfigure early networks of privilege (Chapter 8).

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IV. Dissertation Outline and Summary of Arguments

Chapter 1 provides context to situate developments discussed in this dissertation both discursively and historically. The first section frames the international development debate that coincided with the formulation of Egypt's 'second wave' of market liberalizing reforms. It provides a necessarily brief summary of some of the core themes examined in this dissertation. This section serves a dual purpose: (1) providing the ideological context from which Egypt's reforms of the 2000s arose; and (2) engaging with the debate that emerged following the Washington Consensus failures of the 90s regarding the role of institutions and industrial policy in promoting economic development. Section 2 discusses two key concepts that will reappear throughout this dissertation, namely 'SMEs' and 'Public Private Partnerships' (PPPs). I introduce the discursive and material functions they served in promoting elite resource capture, which will be argued throughout the subsequent chapters.

The third section of Chapter 1 offers a brief historical summary of Egypt's reform era political economy beginning with Sadat's *infitah*, or economic opening in 1974, until the establishment of the 'Businessmen Cabinet' in 2004. It also introduces a handful of the central characters who will reappear throughout the remainder of this dissertation, along with some of the important organizational networks in which they were embedded.

Chapter 2, the first empirical chapter, takes on the theoretical framing task of reconceptualizing 'the state' as well as 'business,' specifically addressing the concept of 'SMEs.' By presenting an ethnographic vignette of how individuals at the lower end of the business hierarchy (i.e. micro/small firms in the formal and informal sectors) experience 'the state,' this chapter sets the stage for subsequent, more nuanced,

discussion of the forms of economic exclusion that persist despite ostensible attempts by the government and international development community at promoting greater inclusion.

Chapter 3 introduces the central 'Public Private Partnership' intended to be the driving force behind Egypt's national support for SMEs: the Social Fund for Development (SFD). Founded in 1991 to provide a 'safety net' for smaller enterprises during round one of Mubarak era reforms, the SFD's mandate would be renewed during the second round with the Small Enterprise Law 141/2004, making it the chief agent for 'SME support.' This chapter introduces the archetype of the *quasi-governmental bureaucrat* serving as SMEs' interlocutors, as well as voices of Egyptians seeking SFD assistance to shed light on the lived experience of the SFD. It engages with the literature of critical development studies and applies Ferguson's (1991) notion of the 'conceptual apparatus' to argue that rather than assist their ostensible targets, the organization instead perpetuated exclusion of smaller firms. This chapter also highlights the complicity of foreign donors for providing funds and legitimacy to these empty shell programs, which I posit instead promoted formalized access to privilege and economic resources for the elite executive board members.

Chapter 4 focuses on two of the central USAID-funded projects emerging from the 1990s' *era of privatization* (Wurzel 2004): the attempt to transform the erstwhile governmental Federation of Egyptian Industries (FEI) into a 'private sector' body beginning in 1994; and establishment of the Egyptian Exporters Association (ExpoLink) in 1997. We see a reappearance of many of the same individuals serving as USAID interlocutors (introduced in Chapter 1), and a repeat of their ability to secure millions of dollars in funding through USAID's ongoing mission to empower the Egyptian 'private

sector' throughout the 1990s. I place particular emphasis on these two organizations for their role in shaping Egypt's industrial policies into the 2000s (Chapters 5, 6 and 7).

Chapter 5 investigates a web of Public Private Partnership organizations intended to serve as the chief agents for industrial development and export promotion established or redefined in the last decade of Mubarak's tenure: the Industrial Modernization Center (IMC), Egyptian Export Promotion Center (EEPC), Egyptian Exporters' Association (ExpoLink), and Export Councils along with the body that would funnel rent streams to their executive boards, the Export Fund for Development (EDF). I also highlight the role of the quasi-governmental business association (the FEI) for its participation in the PPP web—serving as an instrument for both shaping domestic institutions, as well as replicating networks of privilege on the international stage with the creation of the transnational business associations: BusinessMed and MedAlliance. This chapter contributes to the attempt to understand modes of economic exclusion in Egypt, namely by detailing: (1) the abuse of 'business development' organizations receiving foreign and/or public funding; and (2) the creation of industrial policies—by local elites with the aid of international partners—offering benefits to some, but both *de facto* and *de jure* barriers for smaller firms. I highlight the proliferation of *quasi-governmental* bodies in Egypt—tracing their origins to the neoliberal reform era of the 1990s—for their role in facilitating and institutionalizing pernicious business-state relations and the elite access to rent streams. In doing so, I draw attention to the role of international interlocutors in exacerbating effects of predatory business-state relations that harm Egypt's smaller firms.

Following Chapter 5, a brief *interlude* (Winegar 2006) attempts to shed light on the *lived experience* of the IMC as opposed to packaged success stories provided by the

organization's executive to their international donor interlocutors. It offers a glimpse of the IMC's quasi-governmental bureaucrat, and a conceptualization of the IMC 'from the bottom up.' As this dissertation argues, consideration of how the economic 'development' organizations function at this tier of socio-economic capital is essential to understanding outcomes of reform era programs.

Chapter 6 follows a handful of the individuals and networks introduced in Chapters 4 and 5 to negotiations resulting in Egypt's controversial 2004 QIZ trade agreement with US and Israel. Continuing from the previous chapter's examination of the central organizations of elite resource capture active alongside the rise of the Businessmen Cabinet, this chapter explores how parallel capture occurred through the creation of certain industrial policies, typified by the QIZ agreement. This chapter focuses on the complex networks of domestic and international actors central to securing the agreement, which emerged in tandem with the 'PPPs' discussed in the previous chapters. No comprehensive study exists with respect to the signing of this agreement, which accounts for nearly 60 percent of Egypt's exports to the US—83 percent of which comes from the textile and garment industry (Office of the US 2014). This chapter offers an inside look business-state assemblage in motion behind the scenes of the agreement, its effects on Egypt's textile industry, and the structural economic exclusion that resulted.

Chapter 7 examines two sets of negotiations that followed the initial signing of the QIZ agreement, which demonstrate the complex nature of maintaining networks of privilege, particularly those operating across a range of international actors: campaigns to (1) extend QIZ-eligible territories, and (2) reduce the percentage of required Israeli

inputs.[22] Despite the apparent hegemony of connected elites within Egypt's business-state assemblage of the 2000s, parallel developments suggested a more complicated dynamic. A series of Wikileaks cables originating from the US Embassies in Cairo and Tel Aviv follow the multi-year negotiation processes. The cables illustrate the complexity of the networks involved—a web of intra-elite tensions between Egyptian businessmen, Israeli counterparts, and US interlocutors—all with unique sets of interests. They also reveal recurring discursive techniques employed by Egyptian business and political elites with their US counterparts in attempts to secure personal gain under the guise of inclusive benefits.

The final chapter of this dissertation highlights instances of the disruption, persistence and reconfiguration of networks constituting the business-state assemblage of the Mubarak reform eras following regime change. It traces the fate of some of the core individuals discussed throughout this study and the various ways in which they have successfully entrenched compounding gains from their initial privileges as well as reintegrated into new networks of decision makers owing to their early wealth of capital, despite the disruption of regime change.

All of these chapters seek to inform the broader inquiry regarding how changes in the political and business realms—specifically during Egypt's second wave of reforms during the 2000s—have impacted the potential for integration of a more diversified range of actors, and how they have facilitated the perpetuation of structural exclusion in the future. By examining slices of Egypt's business-state relations from the bottom of the

[22] The initial QIZ agreement stipulated that in order for goods to access US markets duty-free, 11.7 percent of the QIZ manufacturer's input had to be sourced from Israel. Subsequent campaigns led by Egyptian businessmen and Minister Rashid requested this input requirement be reduced to eight percent, citing the high relative cost of Israeli goods.

socioeconomic spectrum to the top, this study attempts to shed light on why 'pro-poor' development projects designed to accompany market liberalizing reforms in Egypt failed to achieve their goal of greater economic integration. That is to say, why such projects failed to address the problem of Egypt's 'missing middle' and promote growth amongst Egypt's so-called 'SMEs.' Additionally, such a scaled examination aims to emphasize the 'politics of policy' (Robinson 2009)—politics that, as I attempt to demonstrate throughout this dissertation, occur at each level of the socioeconomic spectrum to highly varied effects.

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Chapter 1: Providing Context

I. The International Development Debate: From Washington to Cairo

Central to understanding developments in Egypt's political economy during the 2000s is a familiarity with the contemporary international debate emerging from the market liberalizing reform era of the previous decade. As will be highlighted in subsequent chapters, the actors shaping Egypt's policy space were very much engaged in this conversation. The following section provides a necessarily brief summary of some of the core themes examined in this dissertation—in particular, the role of industrial policies concerning export promotion and small and medium-sized enterprises (SMEs), as well as the development of Public Private Partnerships (PPPs). Thus, what follows serves a dual purpose: (1) providing the ideological context from which Egypt's reforms of the 2000s arose; and (2) situating this dissertation in the academic debate on the role of institutions and industrial policy in promoting economic development.

The 'Post-Washington Consensus' (Non)Consensus

Following the 1990s era of neoliberal structural adjustment programs, assessments of reform consequences across regions revealed a number of shortcomings (Harrigan 2011; Saad Filho and Mollo 2006; Soliman 2012). Not only did advertised

booms in economic growth and productivity at the aggregate level often fail to materialize, but reforms also produced a number of unfavorable results. Inequality, unemployment, and informal sector participation increased as firms closed and domestic interfirm linkages were weakened following the sudden introduction of foreign and private sector competition (Harrigan 2011; Ocampo 2004); privatization often occurred in uncompetitive fashion, leading to unfair acquisition of public assets along with unimpressive outcomes in terms of productivity and efficiency; and the wealth achieved by a relatively small number of reform winners did not 'trickle down' as was originally assumed (Devlin and Moguillansky 2012).

In the wake of these failures, two major camps emerged to propose a vision for the way forward. The first followed a similar line of thought to that which dominated in the 1990s, but with an added focus on *institutions*[23] (Krueger 2004; Singh et al 2005). This 'Augmented Washington Consensus,' or 'second-generation' reforms included a diverse set of measures—from initiating 'prudent' capital account opening to providing social safety nets, and pursuing anti-corruption measures (Rodrik 2006, 10).[24] Core to the argument was emphasis on *institutional reform* predicated on the notion that poor institutional frameworks were largely to blame for the failures of initial rounds of market liberalization. This camp derived much of its theory from academic literature emerging at the time—in particular, Acemoglu et al's (2001) study positing institutions as the fundamental determinant of economic growth. The authors argued that institutions, or the 'rules of the game' (North 1990), determine incentive structures for economic actors,

[23] North (1991) classically defines institutions as 'the humanly devised constraints that structure political, economic and social interaction' (97)—e.g. laws, constitutions, property rights, codes of conduct.
[24] Rodrik (2006) describes this 'Augmented Washington Consensus,' but argues against it.

which in turn have lasting effects on how production is organized and how investments in human and physical capital are made.

While a general consensus has emerged regarding the importance of institutions in economic development, the difficulties and uncertainties surrounding institutional reform have led some to call for more immediate measures (Rodrik 2006; Stallings and Peres 2011). This second camp argues that excessive focus on comprehensive institutional reform is misguided and 'potentially debilitating' (Rodrik 2006, 11). As Rodrik contends, such a paradigm would produce 'a policy agenda that is hopelessly ambitious and virtually impossible to fulfill' (*ibid*). Reforms would be expensive and rapid results unlikely due to the deeply entrenched nature of institutions.

Instead, proponents of this position highlight the success of the 'East Asian Miracle' and point to studies demonstrating the central role played by government in achieving economic gains (Johnson 1982; Amsden 1989; Wade 1990; Rodrik 2013). They emphasize the need for *structural change*,[25] and posit targeted industrial policy—or direct attempts by the government 'to promote industry' (Robinson 2009, 3)—as the way forward. As Robinson explains, these industrial policies can include a wide range of mechanisms such as the provision of subsidies, creation of industrial zones, and adoption of trade policies, all of which will be examined throughout this dissertation (*ibid*).

(1) Export Promotion

Export promotion is one arena receiving particular attention in international development discussions of industrial policy. Indeed, in the current context of globalized markets,

[25] As Rodrik (2013) explains, the essence of *structural change* is 'the emergence and expansion of new industries, and movement of labor from traditional industries into modern industries.' He argues this to be a central factor in achieving long-term sustainable growth and provides Asia as a prime example, attributing the region's success to rapid industrialization and export-oriented production.

export promotion has come to be widely considered a necessary feature of economic development (Moreno-Brid and Paunovic 2008). However, much debate surrounds the details of *how* such support for exports should be pursued. While some call for increased exports—and trade liberalization more broadly—as a general tool for growth promotion (Noland and Pack 2005), others argue that exports should not be an end goal, but rather a means of increasing employment and productivity (Reinhardt and Peres 2000; Ocampo 2004). This latter camp stresses the importance of the *nature* of exports, arguing that increased exports of natural resource or manufactured goods with high import content could instead have an overall negative effect, leading to decreased efforts towards domestic technological development and entrenching countries into lower positions on the global value-chain (Reinhardt and Peres 2000; Ocampo 2004).

(2) Small and Medium-Sized Enterprises (SMEs)

The global experience with trade liberalization more generally has demonstrated that while removal of barriers to exchange may be economically beneficial for leading firms, the process often leads to the destruction of smaller enterprises unable to compete in rapidly opened markets (Ocampo 2004). In light of the increased vulnerability of smaller firms, 'SME promotion' has also been emphasized as an important industrial policy to complement reforms (e.g. Devlin and Moguillansky 2012; Ocampo 2004). In fact, support for SMEs has garnered a rare convergence of opinion, supported by both those in favor of more government involvement, as well as by the private sector-centric supporters of an 'Augmented Washington Consensus' calling for continued market liberalization (Rodrik 2006). As Moreno-Brid and Paunovic (2008) note, even International Financial Institutions (IFIs) typically averse to government interventions in

the economy have promoted pro-SME policies.

(3) Public Private Partnerships (PPPs)

In order to execute policies such as these, many in the international development community have called for the creation of close 'Public Private Partnerships' (Rodrik 2004; Devlin and Moguillansky 2012). Rodrik (2004) for instance has argued such collaboration is necessary in order to bridge information gaps, allowing the private sector to shed light on market failures that must be targeted. He posits, 'industrial policy making has to be embedded within a *network of linkages* with private groups [emphasis added]' (*ibid* 17), adding the caveat that bureaucrats must be characterized by 'embedded autonomy'—referring to the Evans' (1992) concept of close business-state relations, characterized by a merit-based Weberian bureaucracy aiming to promote development. It remains to be seen, however, how this exemplary system of public-private relations might be achieved. Rodrik suggests only that it would require 'social learning' and 'experimentation' (2004, 18).

Bringing the attention back to the political economy of institutions, Robinson (2009) instead highlights the danger of this approach. He argues that poor industrial policy should not be seen as resulting in innocuous failure, but rather as potentially detrimental to development. He points to 'the politics of policy' as the determining factor for the efficacy of industrial policy, arguing, 'if interests and institutions are not aligned then industry will not get promoted' (*ibid* 9).

Conclusion

Evidence of Egypt's core institutional failings has been provided in a number of studies to explain the corruption and rent-seeking characterizing the country's economic

reforms beginning with Sadat's 1974 *infitah* up through reforms of the 1990s (Zaki 2001; World Bank 1994; Kaboub 2013). This dissertation assumes the existence of weak institutions in Egypt, and attempts to offer a nuanced look at how industrial policy has played out in Egypt's arena of weak institutions. I highlight the political spaces in which structural change and industrial policy have been and continue to be defined. Taking a cue from Robinson's emphasis on politics, I focus in detail on the actors operating *within* institutions and organizations, as well as the consequences of their agency.

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II. Key Concepts

1. 'SMEs,' 'MSEs,' 'MSMEs'

There is much ambiguity in development literature surrounding what exactly is meant by 'SMEs,' with some arguing for universal definitions (Ayyagari et al 2004) and others focused on regional standardization (European Union 2003). Additionally, some studies instead use the term 'MSME,' including 'micro enterprises' (Heintz 2012), some focus on 'micro and small enterprises,' or 'MSEs' (Dunn et al 2006; El-Mahdi 2006), and still others use a combination of the two or more of the terms, at times interchangeably (OECD 2010; Handoussa 2008).

In Egypt, an official definition for micro and small enterprises was provided by the Egyptian Small Enterprise Development Law of 2004—the former defined as individuals with less than LE 50,000 capital paid and between five and ten employees, and the latter as possessing LE 50,000 to LE 1 million capital paid and up to 50 employees (Loewe 2013, 52). However there remains no national standard for defining medium-sized enterprises. Meanwhile the Industrial Modernization Center (IMC), the

'quasi-governmental' development organization operating under the auspices of the Ministry of Industry and Trade as of 2004 (discussed in depth in Chapter 5), differentiates firm size purely on the basis of employment, with micro enterprises constituted by fewer than ten employees; small enterprises 10-49 employees; medium enterprises 50-199 employees; and large enterprises more than 200 employees ("IMC" 2009).

However, as will be highlighted throughout this dissertation, the persisting ambiguity with regard to what 'SMEs' actually means carries great consequence. With millions of dollars of both domestic and international funds allocated to supporting Egypt's struggling 'SMEs,' *who* falls in the category determines who is granted access to much needed economic assistance. As will be discussed in the chapters that follow, the term 'SMEs' should be problematized for: (1) suggesting a false unity of smaller enterprises, when instead socio-economic considerations should be foregrounded; and (2) lending itself to become a discursive 'object of development' (Mitchell 1991, 19).

As I will argue, rather than representing the millions of struggling micro and small entrepreneurs—or, the ostensible target beneficiaries of many of the international development funding schemes examined—'SMEs' instead became a convenient rhetorical tool for business elites to capture resources. To avoid excessive repetition of 'smaller enterprises' or worse, 'socio-economically disenfranchised enterprises,' I will at times use the 'SME' shorthand with this implied caveat.

2. Public Private Partnerships and 'Quasi-Governmental' Organizations

The terms 'Public Private Partnership' and 'quasi-governmental' had a conspicuous presence throughout my interviews with members of Egypt's business elite

and state officials, and were often used interchangeably. The creation of Public Private Partnerships (PPPs) also dominated the discourse of Egypt's organizations created for development during the second wave of reforms. Defined as 'any arrangement between the government and the private sector in which partially or traditionally public activities are performed by the private sector' (Savas 2000, 4), PPPs have been attributed with facilitating a range of consequences—from strengthening government control (Lucas 1997) to deepening neoliberal economic reforms that shift state responsibility to the private sector (Hanieh 2011; Savas 2000).

Proponents of this second camp posit the discursive construction of Public Private Partnerships as nothing more than a 'euphemism for privatization' (Hanieh 2011, 2). As Savas (2000) notes, it is 'a useful phrase because it avoids the inflammatory effect of "privatization" on those ideologically opposed' (16). This dissertation agrees with the latter characterization of PPPs as vehicles for deepening neoliberal economic reforms; However, rather than draw a boundary between the domain of 'the public' and 'the private,' I focus on particular networks of individuals involved. As Wurzel (2004) demonstrates with regard to Egypt's market liberalizing reforms of the 1990s, structural adjustment resulted in a reconfiguration of incentives and identities, complicating 'usual categories of agency' (124). Thus, arguments theorizing actors as homogeneous groups (e.g. 'the state' or 'the private sector') are deeply misleading. Instead, we must look at the individuals embedded within these networks of exclusion—regardless of whether they function primarily in the private or the public sector.

Accordingly, I argue the PPPs of Egypt's Businessmen Cabinet era neither 'enhance[d] the capacity of the state' (Lucas 1997), nor simply shifted state services to

the private sector. Instead, I posit that the discourse of PPPs was used to benefit select *networks* of actors permeating Egypt's public and private spheres. The ambiguous category of *quasi-governmental* provided those party to the networks with rent streams from both public resources as well as those intended for the broadly conceived 'private sector'—the latter courtesy of international donors championing market liberalization.

This dissertation highlights three main functions served by PPPs for the benefit of these networks of exclusion knitted together by Egypt's business elites: (1) facilitation of access to public resources and policy making circles; (2) creation of channels to secure foreign funds and export markets; and (3) the discursive transfer of state responsibility for SME inclusion to these new 'quasi-governmental' bodies, along with their *quasi-governmental bureaucrats*.

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III. Egypt's Waves of Market Liberalizing Reforms, 1974-2004

Introduction

This section provides a brief overview of some of the major developments shaping Egypt's political economy since the first round of market liberalizing reforms initiated under President Sadat (1974-1981) until the rise of the 'Businessmen Cabinet' in 2004. In addition to outlining some important macroeconomic developments, what follows also provides an introduction to a number of the organizations constituting central nodes in the networks woven throughout the remainder of this dissertation. This sets the scene for subsequent chapters, which will examine interrelated developments

occurring at the meso and micro levels of organizations, networks, and individuals throughout reform programs of the 2000s.

1. Sadat's *infitah*, 1974

Beginning with Law 43 of 1974, Sadat's *infitah*, or economic opening, marked the first steps away from Nasser's era of import-substitution industrialization. Central to these reforms was an emphasis on attracting both domestic and foreign investment in a push towards privatization (Waterbury 1983). This period witnessed three pivotal and interrelated developments in Egypt's political economy. First, the country's foreign trade as a percentage of GDP increased drastically, growing from 35 percent at the initiation of *infitah* to 97 percent by 1979 (Kandil 2012, 202). This development was characterized by a major shift in balance of trade with a spike in imports and great reduction in exports—the latter falling from 38 percent of GDP in 1974 to 14 percent in 1981 (*ibid*).

Second, with Egypt's increased economic participation in the international sphere, the role of foreign interlocutors took on a new importance in shaping both the country's political and economic arenas (Mitchell 2002). In particular, the US Agency for International Development (USAID), dubbed the 'shadow cabinet' for its political influence (*ibid* 163), along with the IMF and World Bank, became major participants in setting Egypt's investment agenda.

Finally, on the domestic front, there emerged the '*infitah* bourgeoisie,' a new capitalist class cultivated by the regime (Roccu 2012, 57). State-owned land was sold off to connected individuals at prices well below market value, not only squandering public resources, but also channeling investor money towards unproductive activity—particularly evident in the real estate boom (Kandil 2012, 161). The emergence of this

new capitalist class also sowed the seeds for increased business participation in politics. With the country's first business lobby, the Egypt-US Joint Business Council[26] (est. 1974), the entrepreneurial elite gained both direct access to the presidency (*ibid* 164), as well as a forum for creating partnerships with foreign investors and political actors.

2. Mubarak's Economic Reform and Structural Adjustment Program (ERSAP), 1991

Kandil (2012) describes Sadat as 'the founder of the Egyptian dependent state, the nondeveloping, deindustrialized, and randomly liberalized state,' adding, 'Mubarak only followed in his footsteps' (161). Indeed, Mubarak did not inherit an enviable economy. Accompanying Sadat's *infitah* was a significant rise in foreign debt, increasing tenfold during Sadat's decade in office from 1971 to 1981 (*ibid* 162). Although over half of the country's debt was forgiven in 1991 following Egypt's cooperation with the US during the First Gulf War, Egypt's financial situation remained dire and Mubarak, 'under intense American pressure,' adopted the IMF-led reform program (*ibid* 205).

ERSAP had two major aims: macroeconomic stabilization and structural adjustment—an IMF-imposed program designed to reduce the country's fiscal imbalances. While Egypt was lauded as a poster child of IMF reforms, under the surface the country's economic growth proved far less impressive. Much of the perceived growth between the 1990s and early 2000s resulted from the previously noted debt relief packages following Mubarak's support for the US in Iraq, increased remittances, and other significant aid inflows. Meanwhile, domestic growth continued to exist largely as a result of construction sector activity and other non-tradables (Harrigan 2011, 9).

[26] This group would later become the American Chamber of Commerce (AmCham) (Kandil 2012, 164).

With regard to structural adjustment, the push for privatization proved superficial and slower than desired by the IFIs. Sale of public enterprises often served to transfer state resources into the hands of politically connected individuals (Sfakianakis 2004),[27] and by 1998 only 91 out of 314 state-owned enterprises had moved into the private sector (Adly 2009). Meanwhile, growth was neither labor-intensive nor export-led as the IMF structural adjustment reforms had nominally intended (Harrigan 2011). Instead, from 1992-97 private investment in industry decreased from 26 percent to just 11 percent in 2000 (Abdel-Latif and Schmitz 2009), with greater activity in trade, typically requiring far fewer employees and characterized by a high ratio of imports to exports (Pfeifer 1999). While this produced a decade of wealth for some, the majority faced an opposite trend as these transformations were accompanied by reduction of government spending on social goods. As Mitchell (2002) argues, taken together these ERSAP reform dynamics constituted 'not so much an elimination of state support, as the official version of events portrayed things, but more a change in who received it' (277).

These developments prompted changes not only in the Egyptian economy, but also in the country's political balance. By 2002 domestic debt had increased from 67 to 90 percent compared to the previous decade, and 'the generosity of regime-friendly capitalists' became a central source of economic support for the ruling powers (Kandil 2012, 211). Direct political participation of businessmen could be seen in their growing presence in parliament, increasing from 12 percent in 1995 to 22 percent by 2005 (Soliman 2011, 145). Meanwhile, elite business associations—particularly the American Chamber of Commerce (AmCham) and the Egyptian Businessmen Association (EBA)

[27]Many of whom entered the business world during the earlier reforms of *infitah* (Mitchell 2002; Roll 2010).

established in the early 1980s—had taken on considerable political importance, serving throughout the 1990s and into the 2000s as central vehicles influencing policy direction and decisions (Roccu 2012).

(1) The ECES (est. 1992): Formalizing Networks of 'Knowledge'

Gamal Mubarak stood at the center of many of the top 'pro-business' organizations established throughout the reform era of his father. Gamal returned to Cairo in the mid-1990s after working as an executive with Bank of America in London, and quickly set about collaborating with others of Egypt's 'globalizing elite' to support the country's internationally sponsored economic liberalization.

One of the earliest of these organizations co-founded by Gamal in 1992 was the Egyptian Centre for Economic Studies (ECES). The ECES, an economic think tank, would serve as a central conduit connecting business elites with political decision-makers (Roll 2010, 365; Roccu 2012). These links between business and politics transcended the domestic realm. The organization received considerable start-up funds from foreign 'development' bodies, as we will see emerge as a trend throughout this study. The ECES's most significant endowment came in the form of a $10 million start up grant from USAID, which was complemented by funds from the World Bank and UNDP (ECES Annual Report 2009, 12).

The value of examining economic bodies as social constructions (Granovetter 2005) is readily apparent in the creation of the ECES. Along with Gamal, a number of Egypt's most prominent businessmen across sectors participated in the organization's establishment. Three of the central founding board members—Taher Helmy, Galal Zorba, and Mohammed Farid Khamis—will reappear throughout this study in leadership

positions of organizations and committees central to defining the industrial policies of Egypt's reform era.[28] Additional ECES board members of particular relevance to this study included: Alaa Arafa, Mohammed Kassem and Rashid Mohammed Rashid (ECES 2014; Policy Viewpoint 2005).[29] This formalization of networks of business elites not only strengthened ties between individual actors within the group, but also facilitated access to policy makers in the public sector (Rutherford 2008).[30] Indeed, many of the ECES leaders would themselves become public officials—most notably for this dissertation, Rashid Mohammed Rashid, the first businessman minister, who assumed the role of Minister of Industry and Trade from 2004 until the 2011 Revolution.[31]

In addition to cementing pathways of domestic networks, the ECES also facilitated more direct communication with foreign partners interested in Egypt's economic 'development.' The Executive Director of ECES between 1996 and 1997, Ahmed Galal, served his first round in the position while on leave from the World Bank where he had worked since 1984 (Economic Research Forum 2007). He would take up the role of Executive Director again between 2000 and 2005, before returning to the

[28] Helmy, a lawyer, also helped draft the legislation behind the 1991 privatization program (Grimaldi and O'Harrow 2011).

[29] Zorba and Khamis are cited in the 2009 ECES Annual report as 'founding members,' while Arafa claimed in an interview with the author to have been a co-founder (although he is not included in the ECES list of founding members). Many of these executive members would also go on to head the organizations that were newly created or reconfigured throughout the 2000s (discussed in Chapters 5 and 6). In addition to serving as Chairman of the ECES (2005 inclusive), Galal el Zorba wore many hats, such as President of the Federation of Egyptian Industries (FEI) (2004-2013) as well as President of the Egyptian Exporters Association (ExpoLink) (1997-2005); Taher Helmy, President of AmCham; Mohammed Kassem, Vice Chairman of the Egyptian Exporters Association (ExpoLink), Chairman of the Ready Made Garments Export Council, and Chairman of the High Council for Textiles (relevance of these organizations will be discussed in Chapter 6). Mounir Abdel Nour also sat as a founding ECES member (Policy View 2005).

[30] According to Alaa Arafa, ECES Chairman (2010-2013), the Center was primarily created as a forum for private sector businessmen to bring their problems to the attention of policy makers and 'affect policy in a direct way' (Author interview 23 July 2013).

[31] In addition to businessmen board members, others, like Mohieldin, provided the technical discourse to support the neoliberal project. Mohieldin, who acted as chief economist at the ECES and Chairman of the National Democratic Party's (NDP) economic committee, would later be central to the Businessmen Cabinet era reform project as Minister of Investment (Roll 2010, 365).

World Bank (2006-2007) as advisor on the Middle East and North Africa, and moving on to become Managing Director of Economic Research Forum from 2007 to the time this dissertation was written (*ibid*).[32]

With these dense networks of neoliberal-minded businessmen and technocrats serving as the organization's core, the ECES would become 'the conceptual and ideological mastermind' behind the second wave of reforms beginning in 2003 (Roll 2010, 363). These reforms served as a 'round two' of the neoliberal reforms of the 1990s, with similar emphasis on economic liberalization and privatization. However, by 2004 with the inauguration of the 'Businessmen Cabinet' those designing the reforms gained more direct control over their implementation—the consequences of which will be a focus of the chapters that follow.

(2) The US-Egypt Presidents' Council (est. 1994)

The exclusivity of elite business groups such as the ECES and AmCham would be outdone by an even smaller selection of business elites represented in the US-Egypt Presidents' Council. Established in 1994, the Council was formed as a central component to the US-Egypt Partnership for Economic Growth and Development, intended to expand commercial ties between the two countries and promote privatization ("Fact Sheet" 1996). Inaugurated under the auspices of President Mubarak and Vice President Gore, the Council was created with the objective of advising the two executive governments on 'the necessary procedures to improve investment and trade' between Egypt and the US (Fahmy 2002). The group offered public policy recommendations, with calls for further privatization and market liberalization their rallying cry.

[32] He also served briefly as Minister of Finance (July 2013-Febrary 2014) before the cabinet resigned.

The Council's membership was comprised of 30 individuals, split in equal parts between Egyptian and American corporate representatives. On the US side, members came largely from either the oil industry, telecommunications, or pharmaceuticals (Momani 2003). As for the Egyptian constituents, there existed a considerable overlap with elite individuals central to establishing the ECES. Included amongst the original members were Taher Helmy, Muataz Alfi, Galal Zorba and Farid Khamis all of whom sat on the founding ECES board (Momani 2003; ECES 2009). And in 1997 Gamal Mubarak would take over as Chairman—bringing with him key supporters commanding dense connections to the business-state assemblage under construction. Most notably for the chapters that follow, Ahmed Ezz and Rashid Mohammed Rashid would also join the Council alongside Gamal's ascent to Chairman, while Helmy and Zorba maintained their positions on the elite lobbying platform (Saleh 2010, 136).

(3) Egypt's International Economic Forum and Future Generation Foundation (est. 1998)

Along with the ECES and Presidents' Council, Egypt's International Economic Forum (est. 1998) offered yet another venue for promoting market liberalization through policy lobbying. Taher Helmy appears again as a founder, setting up the Forum as a platform to shape the domestic 'business agenda' and participate in international networking events with 'strategic business contacts' (Saleh 2010, 134).

The Helmy-Gamal partnership produced still another organizational platform in 1998: the Future Generation Foundation. Coinciding with Gamal's attempt to position himself as the new face of Egypt, the pair co-founded the NGO to prepare Egypt's youth for a globalized future by 'upgrading local corporate culture' through training courses for

recent undergraduates (De Koning 2009, 77). However, of far greater importance than the execution of its avowed mission, the Foundation is notable for the cast of characters who sat on the executive board. The Foundation's Vice Chairman, Mr. Alfi, was the founding president of American Group, which controls a range of US lucrative franchises including KFC, Pizza Hut, and Hardee's—awarded to him through his connections to the Mubaraks. Mr. Alfi, whom we may recall from the original delegation of the US-Egypt Presidents' Council also served as Vice Chairman of the Social Fund for Development (discussed in Chapter 3). Under the leadership of Gamal and Alfi were five additional founding board members, also reappearing from the previously discussed organizations—two of whom will be discussed at length throughout this dissertation: Rashid and Zorba.[33]

Building blocks of the Reform Era Business-State Assemblage

These key organizations emerging from the first round of Mubarak era reforms would serve as some of the central venues for cultivating valuable social and economic capital—in both domestic and cosmopolitan realms—for Gamal and his fellow 'globalizers.' This very brief introduction is not intended to be comprehensive, but rather to provide a glimpse into the central 'players of the game' that served as the backdrop against which developments discussed in this dissertation took place.

3. The 'Businessmen Cabinet' and 'Second Wave of Reforms,' 2004-2011

By the end of the decade, the economic growth experienced due to the short-term gains of ERSAP began to reveal its unsustainability. Inflation and unemployment had risen alongside growing domestic debt and fiscal deficit; and by the early 2000s, the Egyptian government found itself back on the brink of national insolvency (Roll 2010).

[33] Additional members on the founding board under Gamal's chairmanship included: Ahmed el Maghraby, Ahmed Ezz, and Hisham al Sherif.

January 2003 brought the beginning of the second phase of fiscal reforms, initiated with the floating of the Egyptian pound and restructuring of the banking sector towards greater privatization (*ibid*). The team of ECES business elite (led by Gamal) offered the driving force behind these reforms, which would come in to full blossom with the cabinet reshuffle that soon followed.

July 2004 brought the inauguration of the 'Businessmen Cabinet,' dubbed as such for its conspicuous presence of 'monopoly capitalists' (Kandil 2012, 210). Under Prime Minister Ahmed Nazif, Rashid Mohammed Rashid—regional president of a major multinational corporation (Unilever) and prominent figure in the food industry—was appointed as Minister of Industry and Trade; While Ahmed Maghraby and Mohammed Mansour—members of the same family with their central businesses in the real estate, financial, and automotive sectors—were appointed Minister of Tourism (2005), then Minister of Housing (2009), and Minister of Transportation, respectively.[34] The trio, who had begun their reform efforts through membership on the founding ECES board, now assumed a more direct role in defining the policies influencing their respective sectors (and those of their colleagues).

Mr. Rashid, who will reappear throughout this study, also stood at the center of Nazif's economic policy team alongside two neoliberal technocrats: Youssef Boutros Ghali (Minister of Finance) and Mahmoud Mohieldin (Minister of Investment).[35] This

[34] The pair are business partners in Mansour and Maghraby Investment and Development (MMID)—an investment firm through which they also found Palm Hills Developments: a leading real estate firm surrounded with controversy (See for example, Adly 2011)

[35] Boutros Ghali began his career at the IMF in the early 1980s before becoming chief economic advisor to the Prime Minister in 1986—a post from which he would play a leading role in negotiating the ERSAP arrangements with the Fund. He continued to serve a central *skilled broker*, liaising between the Egyptian executive and the IMF as Minister of International Cooperation (1993-1996). Before becoming Minister of Finance in 2004, Boutros Ghali served in a number of additional ministerial positions: Minister of State for Economic Affairs (1996-1997), Minister of Economy and Foreign Trade (1997-2001) and Minister of

team, or Nazif's 'Economic Group,' would serve as the driving force behind the new reforms (Soliman 2011, 146). At the core of their project was a continuation of earlier of 'investor-friendly' industrial policies, chief amongst them tariff reductions, financial sector liberalization, streamlined customs and corporate tax reforms (Yousfi and Humphrey 2008; Roll 2010; Ghanem 2013).

In the wake of these reforms, Egypt was named a 'top reformer' by the World Bank's *Doing Business* report between 2007 and 2010 (Iyer 2011). However, not all of the country's business owners enjoyed the fruits of these developments. Instead, as one assessment notes, smaller businesses 'continue[d] to complain about the regulatory framework in spite of the recent simplification,' concluding: 'It may be necessary to take another look at the processes affecting small enterprises, in consultation with entrepreneurs' (Ghanem 2013, 23). In the chapters that follow, I attempt to provide an examination—in consultation with both these smaller businesses as well as a handful of 'winners'—into some of the mechanisms contributing to this differential access to reform benefits of the 2000s, and how they have been continued or disrupted following regime change.

* * * * * * * * * * *

Foreign Trade (2001-2004). For his part, Mohieldin, previously chief economist at the ECES and Chairman of the National Democratic Party's (NDP) economic committee, had been one of Gamal's 'closest confidants' (Roll 2010, 365).

Chapter 2: Reconceptualizing 'Business' and 'State' in Business-State Relations

Introduction

Literature discussing business-state relations often conceives of 'the state' in a rather homogenous manner. While different typologies are suggested—developmental (Wade 1990, Leftwitch 1995) or predatory (Kohli 2004) for example—each individual 'state' is commonly referred to as a unified entity, usually hierarchical in structure with those at the bottom participating in the agenda set by those on top. Despite long-held debates over conceptualizing 'the state,' as Hertog (2011) suggests, 'most political scientists still implicitly treat the state as a unitary actor' (12).

Meanwhile, with regard to the 'business' of business-state relations, literature tends to emphasize the role of a monolithic entrepreneurial elite as it relates to important policy makers (Evans 2005; Kohli 2004). Even when business-state relations are discussed in terms of socially situated actors (Haddad 2012), the connections examined are often confined to those existing at the upper levels of socio-economic hierarchies. A discussion of this nature will follow in Chapters 4, 5 and 6. This chapter instead argues that 'business-state relations' should be understood as existing in various manifestations, depending on the level of the economic or bureaucratic hierarchy at which the individuals

are functioning.

As Ferguson and Gupta (2002) contend, 'we need to view states as themselves composed of bundles of social practices, every bit as local in their materiality and social situatedness as any other' (992). Rather than understand 'the state' as a hierarchical continuum of actors working towards the same agenda, we must *situate* the representatives of 'the state' in their social contexts. A similar case can be made for 'business' and the need to understand firm owners as partaking in an economy characterized by 'social embeddedness'—or the notion that economic activity is dependent on institutions that are not themselves inherently economic (Granovetter 1995, 35).

Interludes with 'SMEs'

While analysis of the Egyptian 'state' is beyond the scope of this study, this dissertation proceeds with this assumption of 'the state' as social (Gupta 1995; Mitchell 1991). Instead, focus is placed on 'business'—more specifically as it exists at the level of 'SMEs.' I emphasize the misrepresentative nature of referring to micro, small and medium-sized enterprises as 'SMEs,' a concept which, I argue, suggests a false unity.

Throughout my interviews I found key barriers to growth for SMEs to be significantly different depending on where each particular enterprise stood on the spectrum of micro to medium—barriers corresponding to each group's unique social world. For micro and small economic actors, mundane impediments imposed by lower level state actors posed the biggest hindrance, while medium-sized businesses placed far greater emphasis on lack of access to markets and fickle policy changes—or 'the state' as a black box. That is to say, while micro and small enterprises suffered most from a 'social

embeddedness' (Granovetter 1995, 35) in the form of rent seeking from lower-level bureaucrats, we see amongst medium firms another form of 'social embeddedness' at work—that of selective transmission of information and denied access (*ibid* 33).

In what follows, I include brief snapshots of conversations, which have been selected for their illustrations of common themes reappearing throughout my interviews with micro, small and medium-sized enterprises. Taking a cue from Winegar (2006), these 'interludes,' or vignettes of interviews with research informants, are intended to provide a richer image of the *individuals* often discussed as de-personalized categories throughout the rest of this thesis. In addition to providing a human face to sterile references of 'business owners,' these vignettes also highlight the necessity of differentiating micro and small enterprise owners from medium-sized business owners—both in terms of their social characteristics as well as their distinct relationships with 'the state.'

* * *

I. Decor Amaar: *Micro to Small-Sized Furniture Enterprise*

At the back of a furniture workshop in downtown Cairo, a man in his mid-forties sat hunched over a desk with tired eyes, flanked by an assistant reupholstering a chair beside him. I navigated between the stacked skeletons of tables and couches, balanced on top of each other like a puzzle, to introduce myself—a student from the UK researching small businesses in Egypt, and would I be able to talk to them? Of course. The man behind the desk, Mahmoud, handed me his card: '*Decor Amaar*' it read. 'Gilding,

cleaning, repainting and furniture production. Haj Amaar and his sons.' [36] On the back Mahmoud, son of Haj Amaar, had written his name and phone number in ballpoint pen.

Over the course of my fieldwork I met with Mahmoud numerous times, our conversations lasting between two and three hours. I learned that Haj Amaar had died in 2006 and Mahmoud had taken over the family business. His father first opened the modest business in the early 1960s after beginning as an apprentice in a furniture workshop at the age of 15. At its peak, the business, *Decor Amaar*, employed 14 people. Now it was just Mahmoud and Abu Mohammed, the elderly man working quietly beside him.

Earlier that week I had met with an upper-level official in the Ministry of Industry and Trade who recited a litany of government initiatives in the form of 'Public Private Partnerships' intended to help SMEs. I was curious to see what Mahmoud thought of the various partnerships. However, it quickly became apparent that I was asking the wrong questions. It was not these Public Private Partnerships that defined Mahmoud's relationship to state 'services,' but rather something quite different.

Government Assistance: Conceptions of 'the State'

When I asked Mahmoud and Abou Mohammed if they had heard of the Social Fund for Development (SFD)[37]—describing the organization's services as they had been recited to me by a technical officer in their imposing 11 story headquarters in an upper-middle class neighborhood in Cairo—Mahmoud replied with a definitive no, adding: 'We don't have those kinds of things in Egypt.'

[36] Translation from Arabic.
[37] Law 2004 on the Development of Small Enterprises designated the SFD as 'the entity competent with fostering the development of small enterprises' (SFD Pamphlet); Discussed in further detail in Chapter 3.

I proceeded down the list of 'quasi-governmental' organizations charged with offering 'business development services' to smaller firms, which had been provided to me by the Ministry official. Abu Mohammed interrupted: 'The government *takes* from us! [*huma biyakhdo minina!*] How could we expect help from them?'

'In Egypt, you don't succeed except through your own efforts,' Mahmoud added. 'No one is going to help you.' I asked them to use their imagination. 'Let's say a government representative came to you right now and asked what you wanted, what would you ask from them?' My question elicited a hearty laugh from both Mahmoud and Abu Mohammed. 'That would never happen,' said Abu Mohammed. 'But if we were to suppose [*law iftiradna*]...' I insisted. 'The thing is, we've supposed a lot [*aslina iftiradna kiteer*],' replied Abu Mohammed. 'The government takes. It doesn't give [*el Hukoma bitakhud, mish bitiddi*].'

The Banality of Exclusion

Mahmoud continued by recounting the numerous visits from government officials.

> If the government sends us someone who asks for LE 700 [apx. $100 at the time] for the water bill, how can we expect it to help us? I tell him to look at the meter. The meter says I owe LE 60. Why are you asking for 700? He told me to pay and we could sort it out later. Of course I didn't pay, and he said he would cut off my water. I'm not a cafe or a laundry shop. I use the water to make a cup of tea or wash my hands, wash my face. It's cheaper to buy a few bottles of mineral water each month and use it to make my tea. So that's what I do.

'You see!' Cried Abu Mohammed. 'How do you expect the government to help us?'

Mahmoud rummaged through his desk drawer to find a slip of paper from the Administration of Works [*idarit el ishghalaat*]. The paper demanded the store owner 'pay the appropriate dues stipulated by the 1956 Law 140 regarding use of public pathways [*fi sha'in ishghaal el turuq el 'amma*].'

‘This paper tells me that I have to pay a fee because I disturb the street. Do you see that out there?’ Mahmoud asked, pointing to the sign above his shop. ‘It sticks out into the street 40cm, so I had to pay to get a license for it. And each year they send me a piece of paper like this that tells me to go and pay to renew the license.’ The paper specified no amount. ‘How much does the license renewal cost?’ I asked. ‘They don’t tell you. When I go there to pay, that’s when they tell me how much it will be. Every year is different. Sometimes it’s LE 100, sometimes it’s LE 150.’

Mahmoud explained that not only were the payments a burden to his business, but the process of paying them were equally so.

> I get dizzy trying to pay the fees at all of the government offices. In the end, one might get fed up with them in the middle and go home. There are long lines and employees sleeping at their desks. I mean literally sleeping. You know the jokes that come on TV? An employee sitting at her desk peeling potatoes or something like that? It really is like that. There are employees snoring at their desks.

Mahmoud related the story of his final trip to *idarit el ishghalaat* when he was determined not to play by the rules of the corrupted system. He was determined to do it ‘the right way’ [*a’mel el saH*].

> I went to renew the license and I told myself, ‘I’m not going to pay any bribes. I’m going to pay LE100 to the government. I’m not going to pay more than that.’ I went to the fourth floor and I told the employee, ‘I want to pay this fee.’ He told me I had to go talk to a man on the first floor. So I went to the first floor and the employee wasn’t there. Someone told me to go to the third floor. Then when I got there, they sent me back down to the first floor. I kept going up and down until in the end I gave up and said I’ll just pay the extra LE 20 and be done with it. So I added LE 20 to the 100 and asked him to sign for me. He opened up his drawer and I slipped the money in and he signed. Then he said, ‘you need these other guys to sign, too.’ So this guy signed and took money and this guy signed. In the end LE 100 became LE 200. And if I didn’t do that, my whole day would have been wasted. I would have gone home when the building closed without having accomplished a thing.

Returning to my question of whether or not he sought assistance from government organizations or their ‘quasi-governmental’ affiliates, Mahmoud added in a tone of

resignation: 'When I try to *give* money to the government it's this difficult. Imagine if I were going to ask for something from them.'

Mahmoud concluded his saga by recounting a new strategy.

> Now for these things I just wait for the inspector [*al-mufattish*] to come to me and ask to see my paperwork and I pay him the extra. Or I might know someone from the Federation of Industries [FEI][38] and I tell him that I want to renew my commercial license [*sageel el tugari*], for example. So I pay him the LE 100 plus an extra 50 and he signs the paper and that's it. Or maybe I'll meet someone randomly and find out he works there and I'll give him the extra money and have him sign for me. Or a state employee [*mowazzaf*] will come and sit at the coffee shop on the corner there to smoke sheesha. Either way I'm going to pay extra. I might as well spare myself the trouble of spending the day with the government.

Mahmoud shuffled through his well-kept files, their orderliness incongruous against the piles of furniture and tarps strewn around his workshop. There were papers from the General Administration of Commercial Registration, the Ministry of Supply, the Ministry of Justice. I made a comment about the number of different governmental bodies he had to deal with. 'Oh yes, we have a lot of ministries . . . and a lot of ministers. The government wants to appoint so many wonderful ministers it makes ministries just for them,' he said with no attempt to hide his sarcasm.

He pulled out a crumpled sheet of paper with 'National Authority for Social Insurance' written at the top. The paper had a long introduction that I skimmed cursorily to find at the bottom a requested fee of LE 7,340, a sum (at the time) exceeding $1,000. Mahmoud explained that the government required any shop to have at least one member of the enterprise to have this 'social insurance.' The government rebuke on the crumpled receipt said that this fee was the backlog of what Mahmoud's brother owed—the accumulated sum after four years of not paying the required monthly payment, plus *fowayid*, interest, for missed payments. His brother, Ahmed, now lived in Dubai after the

[38] Discussed in Chapters 4 and 5.

factory he was working for as an accountant in Sharm el Sheikh closed—a job he originally began because the family furniture business was not lucrative enough to support both brothers and their families. 'What happens if you don't pay this?' I asked.

> They're very patient. They just keep sending these bills, each time they grow bigger and bigger. Between social security payments and taxes and visits from the administration of electricity, the administration of water—you feel like you're drowning.

Mahmoud went on to tell me that the worst part of the government fees is the fact that you get nothing in return. 'My father paid LE 100 every month for 65 years for his social security. How much do you think he got when he retired?' I estimated on the low side judging from how he phrased the question. He laughed with a shake of the head—the recognizable sign of resignation seen again and again with mention of the government, or *el nizam*, 'the system.' 'In the end he got LE 36 a month. That's why no one knows how to grow a project,' Mahmoud added. 'I have to pay left and right [*lazem adfa' min hina w adfa' min hina*]. And for what?'

Taxes

While we were on the subject of grievances concerning the government, I raised a complaint certainly not unique to Egypt. I asked Mahmoud if amongst his piles of paper he had anything related to taxes. 'Taxes… now this is the real craziness!' He replied.

> Really, the people who work in the tax office are crazy. A guy sitting at his desk looks at the paper and says, 'ok the gold-covered chairs from the parlor, this one month you got two to work on. In a year, you must get 24.' Then he says, 'one must be LE 5,000 … from that your profit is LE 3,000. That means we want from you LE 1,500 for each one.' He takes half of my earnings. I have no idea how they calculate it, but somehow in the end they ask for LE 50,000 for a year or something crazy like that. If I made LE 50,000 in a year, I wouldn't be in the state I'm in now. I'd go out and buy a car at the very least.

Mahmoud's average annual income over the last ten years was LE 25,000 (apx. $3,500), with considerable fluctuations over the previous three years of political instability (2011-2013). I asked how he dealt with the situation if he did not have LE 50,000 to give. He said he had to pay a lawyer who knew people on the inside so they lawyer could go there and pay a bribe and get them to reduce the taxes.

The Benefits of Informality

Our conversation flowed naturally into discussion of the informal sector, which offered refuge from such impositions.

> You know the man who always stands on the corner here with his cart and roasts sweet potatoes? Three days ago a police officer came and told him that he couldn't stand here anymore because he didn't have a license. So they had a big fight and the man went just around the corner and sold there for a couple of days before coming back to his spot here. For him it's not a problem. He can just take his cart and go somewhere else. But for me, if they closed my shop even for a day, it would be a problem. People would lose their trust in me.

It seemed at first that the difference between people in the informal sector and Mahmoud was that the informal sector was comprised of individuals often so poor they had nothing to lose. The police could not extract rent from the sweet potato seller because he had nothing to give. They had a type of power that Mahmoud lacked. The power of complete disenfranchisement. But I was corrected. 'Actually,' said Mahmoud, 'a lot of them make more money than I do. When you take into account all of the fees I pay—taxes and bribes—and the increasing prices of wood and paint materials. Sometimes I think I would be better off selling sweet potatoes.'

As a formal micro enterprise, *Décor Amaar* was a rare breed. Although micro and small firms comprise an estimated 99 percent of Egypt's enterprises, more than 80 percent are believed to exist in the informal sector (Handoussa et al 2010). I was curious

with all of the clear detriments to formality why Mahmoud did not then join the ranks of the millions of Egyptians who work in the informal sector. Why, if Mahmoud experienced so much strife and such little benefit, would he not close his current location and open a new workshop on the sly?

> This workshop was my father's and has been here for over 50 years. We have a good reputation in the neighborhood. Everyone knows Haj Amaar. They trusted him, so they trust his sons. Even if I don't have many customers at the moment, *inshallah* things will get better. If I became informal and left this place, then the reputation my father worked so hard to build would be gone. I'd have to start from zero.

However, Mahmoud did concede that he was not averse to participating in the informal sector to supplement his major source of *rizq*—livelihood, sustenance. On days when he had no orders he would rent a tok tok (a motorized rickshaw, introduced in Egypt in the early 2000s) from a man in his working-class neighborhood of Imbaba, usually making around LE 200 in a 12-hour shift. After a quick calculation, he noted that would make more money if he left the shop. 'But that's no one's dream,' he added.

> After all that training and ambition, in the end you go and ride a tok tok all day? It's like a toy. You want to have a factory, something you can be proud of and nurture and grow. What are you going to leave your children? *Inshahallah* not a tok tok.

Access to Finance

I asked Mahmoud if he ever considered borrowing from a bank or NGO. 'The bank is *haram*,' he replied. 'There's interest on loans and in my opinion interest is *haram*.' I sensed that there was more to Mahmoud's aversion to borrowing than religious reasoning. 'So you never thought to take out a loan?' I asked. Mahmoud told me about an idea that he and a friend had: To buy a machine together and house it at his uncle's

factory. The machine cost LE 100,000 but Mahmoud and his friend thought that they could make the money back with the new projects they would be able to pursue.

'But the problem is that you have to provide a mountain of paperwork in order to borrow from the bank,' he said. Mahmoud went through the litany of documents required, which included property deeds for where the machine would be kept, papers that proved the bills were paid for the utilities, backlogs of tax and insurance forms. Each set of papers had to be collected from different administrative buildings around Cairo.

'Anyways,' Mahmoud continued, 'the land was under the name of my uncle, so the bank wouldn't give us a loan even if we did run around and get all of the paperwork.' I asked why his uncle could not accompany Mahmoud and prove to the bank that he had the proper documents and that all of the bills were paid. 'Sure,' said Mahmoud. 'But then the loan would be under his name. And what if something went wrong? What if we weren't able to repay the loan? My uncle would be in trouble.'

'Don't forget,' he continued, 'interest begets interest [*el fowayid bitgeeb fowayid*]. And the bank is not forgiving [*el bank mabiya'zorsh Hadd*]. Imagine if something went wrong and we couldn't pay back the loan on time. All of that money would be demanded from my uncle. He could lose everything. He could lose the whole factory.' Mahmoud noted the irony of his situation. He could not buy a machine that would grow his business because he did not have enough money. And he could not make enough money because his business was so small. He could not get a loan to buy the machine because he did not have property. And he could not buy property because, again, he did not have enough money.

I asked if it were a requirement that he *own* the land his proposed machinery would be housed on. Could he rent? Mahmoud explained that while it was possible to rent, acquiring a loan from the bank required proof that the land had been rented for at least five years. 'I would have to pay for an empty plot of land big enough for the machine for five years before I could even put my machinery on it,' he said. 'That's a lot of money that you throw away and in the end you don't even know that the bank will give you the loan.' He added that these days when work was slow he was forced to borrow quite a bit of money just to cover the basic costs of his household for his wife and four children—a sum which he borrowed from his brother and friends, not banks.

A young man with gelled hair, tight acid-wash jeans and a pink spandex Armani t-shirt common to downtown street vendor tables had wandered into the store with a little girl about the age of two. He sat down on one of the semi-broken chairs, with a nonchalance that suggested he was a visiting friend rather than potential customer. Mahmoud volunteered his friend to contribute to the conversation. 'Hisham, aren't you trying to get a loan from the bank?' He asked. Hisham was also in the business of furniture making. Indeed, he confirmed, he had been waiting for four months to get a loan. 'But if you knew someone on the inside in the bank, you could get a loan in a second,' Hisham added. 'Even if you have no paperwork and no project at all. You can just take out the loan under the name of someone who has died and run away and the bank will never hear from you again.'

He expressed a sentiment that seemed to be a running theme throughout my discussions: 'People who don't deserve anything get it all. And people who do things the

right way lose [*El nass illi mish bitistahil Haga bitgeeb wel nass illi mashiya saH bitikhsar*].'

'Do you see,' added Mahmoud. 'The country is just upside down.' It emerged throughout our conversation that when it came to loans, the devil is in the details. The way in which financing is provided to MSEs is not conducive to growth promotion. It would take years to work up to the funds needed to grow a business. I asked about some of the NGOs that offer loan services. 'Most of these groups give loans from LE 20,000 to 30,000 at the very most,' said Mahmoud. 'You can't do anything with that amount.'

Hisham added, 'Plus these organizations are incredibly slow.' Hisham, also from Imbaba, commented on the plethora of local Muslim and Christian economic development organizations in their neighborhood, but noted that they were not of much use due to their small scale.

> If me and a group of friends want LE 5,000 for a business idea, it would take ages. For example, the organization would give you LE 1,000 and you have to pay back the loan each month to show that you're reliable and they will add a little bit to the loan each time. What are you going to do with money that you have to give back at the end of each month? By the time you get the LE 5,000 the opening for the project is gone. The moment has passed. And you're an old man.

Mahmoud added that even paying back the LE 1,000 at the end of every month would be difficult. 'The LE 1,000 will be spent in a week. The house will require things. Or a friend will need an operation. Or you'll have to pay the school fees. As long as the money is there as cash and not invested in a machine, it will be spent.' He concluded that all of these considerations aside, loans in general were a bad idea.

> I work within my means [*ana bashtaghel 'ala 'adi*]. It's better that way. At the end of the day, a loan is an enormous responsibility. If something happened so I couldn't pay back the loan, I wouldn't just be in trouble myself, but my children would inherit my debt. I could spend the rest of my life trying to repay a debt that

> just keeps growing larger and larger and die having that debt stay behind me. I want better for my children, not worse.

Hisham, who sat bouncing his niece on his knee, joked that this was not an issue for him. 'At this point I don't even have enough money to get married let alone have kids. I'd rather go to prison than sit around and be a failure.'

* * * * *

II. El Arco Design: *Medium-Sized Furniture Enterprise*

Mr. Mohammed Karim waved me down on the side of the highway outside El Abour Industrial Zone, wearing a collared shirt unbuttoned to mid-chest. We arrived at the gates of the small warehouse/office building after driving through the dusty streets populated by other gated factory sites. I followed Mohammed into the humid warehouse where he showed me their items in stock—a variety of furniture pieces, from fancy office chairs and big wooden desks to children's racecar beds and wooden chaise lounges. It was clear that El Arco Design had seen better days. The crown molding lining the bottom of the wall leaned towards the ground like a loose tooth and Mohammed pushed it together with a shake of the head, cursing under his breath that everything was falling apart.

There were few people to be seen around the office at 11:45am on a Wednesday aside from Tamer—a tall, slow moving man who brought us coffee and appeared on command whenever Mohammed shouted his name. We sat down in the stuffy office where he closed the windows and turned on the air conditioner, pulling out his packet of cigarettes—the sacred combination that never failed to appear in my meetings with bureaucrats and businessmen wealthy enough to have the former.

'So you want to know the difficulties I face as a medium-sized business?' He asked. 'I will tell you the difficulties.' Mohammed began his monologue. 'There are three

key points to being a successful businessman,' he continued. 'First, you have to work in what you understand. Second, you have to know who you want to sell to. Third, you have to know where the money will come from.'

'And is this last point is difficult in Egypt?' I asked. 'Incredibly!' he shouted: 'It's very very difficult to get a loan from the bank if you're not known [*ma'roof*] there. I mean, if you don't know someone inside the bank, and you never had a loan before it's basically impossible.' Mohammed explained that this was as true in the banking sector as it was in business in Egypt more generally: 'Look, here in Egypt there is a closed circle [*diera mughlaqa*],' he said as he illustrated his explanation on a piece of scrap paper. 'If I don't have connections [*wasta*], I won't know how to get into this circle.' He continued:

> Wasn't there a barter system [*muqayda*] before money was invented? This is what these people do between themselves in this circle. In any country you'll find that the people from rich families [*abna' el nass*], they are the ones who are in control of the important commodities—steel, cement, fertilizers, car franchises.

Each commodity corresponded to a rectangle that he drew around the circle. 'They close this circle on themselves and invite their friends from other sectors in, and everyone left outside of it are just little crumbs [*fatafeet*].'

I asked Mohammed about some of the biggest difficulties he had faced during Mubarak's last five years. Without hesitation he cited the mercurial nature of policies as his number one impediment:

> For example, I would order an import of 100 pieces of a certain raw material only to find that the government decided to forbid the importing of that particular classification of goods [*el sanf*] without warning. Then I have the order sitting in customs with tariffs too high to make it worth me going to pick up the product.

Mohammed explained that this was especially problematic when these materials were necessary complements to products he had already started: 'Let's say I make 100

tabletops and I want to import the material for the legs of that table. So here I have 100 surfaces and am not allowed to get the right wood to make the legs. What do I do with a table without legs?'

He added this was particularly detrimental when some of his competitors in the industry did not face the same problem: 'And sometimes, something tricky goes on—the VIP businessmen are told before the law comes out, so they can import what they need before the deadline or decide not to make the table top in the first place.'

Alongside fickle policy, Mohammed turned to the bureaucracy as an additional obstacle to his competitiveness in the international arena in particular.

> We need simplified bureaucratic procedures [*tabseet el igra'aat*]. For example, every three years we have to renew our production license. Our lawyer has to go to a bunch of different authorities to license [*yirakhis*] the project. And if I didn't have a lawyer I'd have to go myself like many small enterprises have to do.

Government Assistance for Medium-Sized Firms

I asked Mr. Mohammed what he thought about the various 'SME support' programs described to me by the assistant to the Minister of Trade and Industry. '*Fashleen*'—failures, he said without hesitation.

I asked Mohammed if he had even heard of any of organizations offering ostensible services to medium-sized businessmen such as himself. He opened his laptop and searched. 'I'll tell you. There's one called…' he scanned the screen and finally looked in his drawers and found a stapled together pack of papers, showing me the card of the Industrial Modernization Center (IMC) stapled to the top. The executive assistant at the Ministry of Industry and Trade described to me the IMC as an affiliate of the Ministry that provided management, technical assistance and access to export programs for small and medium-sized companies. It was meant to be the 'technical arm' of the

Ministry, with its mission: to modernize and develop Egypt's industries in different fields. Mohammed had a different idea of the organization:

> They get grants from abroad and have employees with high salaries. Of course all of them are from privileged families [*abna' el nass*] who don't do much of anything. By the time the grants go through all of the employees, there's nothing left to be spent on the ground.

'But,' he added, 'they do make a good show.' Mohammed recounted a training course he had attended in 2010 that was organized by the IMC, which he complained provided information that, 'even young children already know;' And described the IMC support to participate in trade exhibitions as a farce: 'They pretend to subsidize the trip. Say I can go to a good exhibition and rent a space for $10. What they do is they make a stupid exhibition and say the cost is $30 and they'll "subsidize it" to be $15.'

I asked Mohammed whether he thought this was done intentionally as a kind of scam, or simply due to poor execution:

> The problem is that the people working there don't have any experience. If I want to buy cheese, am I going to go to the bank? If I have a problem with my car, am I going to call a plumber to fix it? These people get their positions through connections. Not because they specialize in that field.

Mohammed, existing as a medium-sized businessman outside of the *diera mughlaqa* (closed circle), summarized his experience of business-state relations, confined to the space of *fatafeet* (crumbs):

> Look, industry in Egypt isn't working correctly. There should be governmental organizations that help company owners. But in small companies, or medium ones, the owner has to do everything himself. He has to come up with good designs, search for raw materials, look for exhibitions to join, find financing, get new machinery. If you turn to the government, you'll only waste your time.

Conclusion

Mitchell, commenting on the oft discussed 'state-society' division, argues: 'the distinction must be taken not as the boundary between two discrete entities, but as a line drawn internally within the network of institutional mechanisms through which a social and political order is maintained' (78). Indeed, if we take a social approach to understanding economic actors, we see the separation between 'state' and 'society' is fairly artificial. Likewise, I posit this concept can be applied to the 'business' and 'state' division occurring between low-level bureaucrats and small business actors. The two categories should not be understood as discrete entities—indeed, they are both comprised of Egyptian citizens of similar positions on the socio-economic spectrum. And yet, discursively they are made out to be very distinct actors in society.

While there are clear power structures in play (e.g. 'if I don't pay their bribes, they can close my shop'), more often than not small businesses and low-level bureaucrats engage in a sort of collusion that subverts the 'higher state.' This subversion is not necessarily intentional, but rather a matter of convenience, or often, necessity. The *mowazzaf*[39] supplements his meager wages, and the small businessperson faces great loss of productivity visiting the various state agencies, so instead, in the words of Mahmoud: 'I wait for them to come to me.' This can be seen in the settings and nature of their interactions: Rather than visit the government agency to pay fees, small business actors have papers signed and stamped at the local coffee shop. The money goes in full to the *mowazzaf*, and the businessman ends up paying less than he would have had he gone to the state-sanctioned location because he has fewer people to bribe.

Meanwhile, if the division between 'business' and 'state' proves problematic, so too does the aggregating of micro, small and medium-sized enterprises as the discursive

[39] Literally 'employee,' but often takes the connotation of low to mid-level bureaucrat.

'object of development' (Mitchell 1991): MSMEs. Both Mahmoud (with his formerly small, then micro-sized furniture enterprise), and Mohammed (with his medium-sized furniture enterprise), fell under the frame of 'MSMEs'—the ostensible targets of the many 'business development services' offered during the Businessman Cabinet era. However, as evident in the conversations cited above, each possessed different endowments of *capital,* and existed in very distinct social spheres of Egyptian society. Consequently, they experienced 'the state' quite differently.

As Mitchell (1991) posits, 'the state' exists very much both in a *conceptual*, as well as *empirical* realm. That is to say, '[the state] occurs not merely as a subjective belief, incorporated in the thinking and action of individuals,' but is also 'represented and reproduced in visible everyday forms' (82). Over the course of my interviews, common trends emerged with regard to how various actors conceived of 'the state'—existing in very different forms, both conceptually and empirically, depending on where business owners sat on the spectrum from micro to big. For micro and small business owners, empirically 'the state' was identified as the *mowazzaf* who comes to collect his rents; 'the state' was papers in the post with ministry letterheads requesting fines and payments. Conceptually, it was a *weight*—very solid, material and visible.

For medium-sized business owners, empirically 'the state' consisted of the auditors demanding bribes in exchange for passing quality inspections, and licensing procedures farmed out to lawyers. However, these bureaucratic visits were of less consequence—resulting in an added burden, but not a threat to their survival. Instead, medium business owners emphasized exclusion from export markets and exposure to sudden policy changes as their main barriers to growth. Thus, conceptually, 'the state'

was simultaneously a *hurdle* (a costly annoyance) and, more importantly, a *black box*—an invisible machine of policy-making and trade control.

In the chapters that follow I attempt to demonstrate that for the business elite (particularly in Mubarak's last decade) 'the state' became two things. Empirically, it was ministers and members of parliament—politicians of the ruling National Democratic Party. Conceptually, 'the state' became a *space*, or forum in which to act. This occurred at the upper tiers as businessmen became members of ministers' advisory councils, members of parliament, or ministers themselves. At the same time, this tier's empirical experience of 'the state' was comprised of their inferiors—the estimated 5.5 million bureaucrats dispersed throughout various ministries and administrative bodies (Kandil 2012). Conceptually, this to them was a *vestige* to be shed—a messy web of overinflated organizations now obsolete, in need of being replaced by their own set of quasi-governmental bureaucrats in 'Public Private Partnerships,' which they were to manage.

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Chapter 3: The Social Fund for Development (SFD): Developing Egypt's 'SMEs'

'I waste 90 percent of my time on SMEs.'

—Executive-level member of the FEI and FECC, and chief *skilled broker* for a number of internationally funded organizations integrated into the reform era *business-state assemblage* (Author Interview 15 January 2016)[40]

Introduction

Building on the previous chapter's argument for the need to reconceptualize business-sate relations based on an individual's socio-economic capital, this chapter provides a glimpse into lived experiences at the central organization established for micro and small enterprise assistance: The Social Fund for Development (SFD). I introduce the archetype of the *quasi-governmental bureaucrat*—or what I posit to be the 'quasi-

[40] The comment was made many hours into our interview at the garden café of the opulent Zamalek Marriot Hotel. The interview had assumed a very informal tone, and my interlocutor was expressing frustration for the lip service he had to pay towards 'SMEs' for his counterparts in the international development community in order to secure funding for his various 'business development' projects.

governmental' equivalent of the traditional lower and mid-level bureaucrat—and maintain this dissertation's refrain: that these individuals should be understood by the particular type of socio-economic capital they possess, rather than by institutional affiliation.

The chapter further highlights the importance of discourse in concealing the failures of foreign-funded development organizations to serve their intended purpose. We see how domestic interlocutors learn the international development vocabulary and reproduce it for their foreign funders to form partnerships based on 'a corpus of rational techniques—planning, methods of measurement and assessment, professional knowledges, institutional practice,' in order to organize 'both forms of knowledge and types of power, in the construction and treatment of one specific problem'—in this case SME promotion (Escobar 1995, 18).

I argue that the development projects of the SFD were doomed to fail because the 'object of development' (Egypt's 'SMEs') was defined in terms that do not reflect reality (Mitchell 1991); the posited 'problem' facing SMEs—discursively constructed by local policy-makers (business and political elite) and foreign donors—placed inappropriate attention on technical issues and shortcomings of the entrepreneur. Instead, I contend focus must be placed on the structural factors of exclusion, specifically the nature of smaller firm owners' interactions with 'the state,' and the consequences of industrial policies lacking proper consideration for all but the largest few (examined in Chapters 5 and 6).

1. A Macro-Level View of Reform Era Consequences on Smaller Firms

According to the World Bank's Development Indicators, Egypt moved from being a 'low-income' to 'middle-income' country in the mid-1990s (World Bank 2011). The country experienced considerable economic growth over the 2000s with GDP increasing at an annual average of 4.7 percent between 2000 and 2008, peaking at 7.2 percent (Loewe et al 2013, 70). However, this economic prosperity was not felt by all. Despite growth at the national level, the percentage of Egyptians living in poverty increased from 16.7 in 2000 to 21.6 in 2009 (Harrigan 2011, 13). Meanwhile, by 2010 unemployment was reported at 26 percent, and the informal sector had grown by an estimated three million people (Kandil 2012, 216).

These developments emerged in the wake of the IMF-led structural adjustment reforms of the 90s. As part of a larger reform experiment occurring throughout the 'developing world,' ERSAP followed the core neoliberal tenets of the Washington Consensus: macroeconomic stabilization, market liberalization, and privatization. While results of IMF reform programs varied considerably from country to country, certain trends emerged. Due in large part to the dual processes of trade liberalization and privatization, many domestic firms closed, unable to compete in rapidly opened markets. Meanwhile, thousands of workers were laid off as state-owned enterprises shifted to the private sector (Reinhardt and Peres 2000); And the informal sector, absorbing many of the unemployed, typically offered workers far less lucrative activities and contributed little value added to the overall domestic economy (Ocampo 2004).

In order to address these transformations, development literature has emphasized the need to concentrate on 'small and medium-sized enterprises' (SMEs) to promote economic growth and diversification (Handoussa 2008; OECD 2004; World Bank 2001).

Such literature champions SME promotion as a way forward for greater economic inclusion, decreased unemployment, and poverty reduction. In Egypt, the relevance of SMEs to inclusive economic development is readily apparent, with an estimated 99 percent of Egypt's private firms falling into the category of micro or small enterprises and accounting for approximately 80 percent of national employment (Loewe et al 2013).

Beginning in 1991 with the first round of Mubarak era market liberalizing reforms, numerous initiatives have been taken with the aim of assisting SMEs and filling the country's 'missing middle,' or deficit of medium-size firms (Al-Yahya and Airey 2012). More recently, the country's 'Ministry of Industry and Trade' has become the 'Ministry of Industry, Trade and SMEs,' reflecting executive-level attention to the issue. And yet, the country's private sector remains characterized by the predominance of micro and small firms, a minimal and struggling middle, and little observable improvement in terms of firm growth or greater economic inclusion for either (Ghanem 2013; Al-Yahya and Airey 2012; El Said et al 2011).

2. Introducing the Social Fund for Development

The Social Fund for Development (SFD) stands at the center of the international development community's efforts in Egypt to assist the country's 'SMEs.' Originally established in 1991 as a 'social safety net' accompanying structural adjustment reforms (Moussa 2007), the Fund was redefined in 2004 under Minister Rashid's tenure to fit the 'pro-poor' policy push of the international development community. Law 141/2004 on The Development of Small Enterprises designated the SFD as: 'The entity competent with fostering the development of small enterprises and with planning, coordination and promotion for their dissemination on a wide scale' (Social Fund for Development 2008).

Major donors of the Fund include the World Bank, USAID, EU, and the United Nations Development Program (UNDP) (SFD 2011). Similar to organizations that will be discussed throughout subsequent chapters, we see in the case of the SFD: (1) an uninspired quasi-governmental bureaucracy; (2) a dissonance between *lived experience* of ostensible targets of the SFD program and the official publications/foreign donor evaluations; and (3) *de facto* forms of exclusion. Additionally, we see a similar command structure in this 'quasi-governmental' body with a government official at its head, in this case Prime Minister, and the board of directors comprised of a range of additional ministers, which during the Businessmen Cabinet era, included Minister Rashid (MOIT 2008).[41]

The SFD Bureaucracy: Interpreting Success

Mr. Mohammed, a technical officer at the Cairo headquarters of the SFD, sat at a corner desk in a room filled with cubicles—all but one of which were empty at 2pm on a Wednesday afternoon. After a brief introduction of my research and the requisite provision of tea, Mohammed jumped up from his chair to begin gathering an impressive assortment of booklets and pamphlets—each decorated with a flattering photo of Mubarak. 'And I can show you a short film, too!' he said excitedly, swiveling the computer screen my way. The film opened with the same photo of Mubarak—'Of course, this is from the Mubarak days,' he interjected—and a quote by Mubarak about how he aimed 'to improve the state of the Egyptian people and life of the people who need the most help.' Mohammed fast-forwarded to the part where nice looking young people come in to the office to apply for loans. 'Look! This is how it works.' In the film, each

[41] Notably, Alfi also sat alongside Rashid, Nazif and other ministers on the SFD board.

one took a number and then sat down in a neat row of chairs to fill out the application. 'This is what we do,' he said.

When I asked who exactly was able to benefit from SFD assistance, Mohammed ran to the cupboard and grabbed yet another pamphlet. 'Great question!' He said excitedly. 'I'm glad you asked it!' He went on to explain that, 'Anyone who has a good program and is at least 21 years old can apply,' and handed me another pamphlet detailing the criteria. As I looked at the information, Mohammed returned to his computer, 'And we have a lot of success stories [*w fih qisas el nagaH kiteer*]!' he exclaimed. He flipped through photos on the computer and narrated the different kinds of programs the Fund supported as exhibited on the screen. He opened a photo from Port Saed with a group of young women standing around crates, holding up bunches of grapes; another of men with a large net bringing in a pile of fish; and photos of businessmen standing in a row on site at various micro projects, looking quite out of place in their suits with backdrops of water buffalos and construction site rubble.

'But these are just some of the projects!' a young woman in the neighboring cubicle said, jumping up. 'I'll get you the DVDs.' I asked Mr. Mohammed if it would be possible to speak with individuals who have taken loans from the Fund. 'That would be difficult,' he replied. 'But look! You don't need to. You have the *qisas el nagaH* (success stories)!'

'Legitimate Dreams': Accessing Assistance

The young woman returned with the DVD, whose original title '*Mashru' el Hilm*' (Project Dream) had been mistranslated as 'Legitimate Dreams.'[42] The video—made in partnership with UN Women—offered a series of testimonials providing live evidence of

[42] The two words share the same root letters in Arabic.

the *qisas el nagaH*. In the first story, Nanees sits behind her sewing machine in a pleasant looking middle class house and explains her embroidery work. She begins: 'I don't have a problem with funding, I have a problem with finding markets.' She explains how she had been making and selling products from home for around seven years. The SFD helped her grow her project, providing her with a loan and connecting her to exhibitions, but as she remarks, 'I didn't actually need the loan, I really just needed the market.'

In the second testimonial, Mona describes her project to start a fish farm in partnership with a 'simple fisherman.' She explains how she began very small with one pond and it was so successful that she ended up getting two, then three and four. She started to attend conferences and exhibits. The project grew so big that she wanted to integrate more technology, so she went to the SFD. She explains how they sat down and did a feasibility study [*dirasat el gadwa*]. As she described it:

> The feasibility study would let us know if we would succeed or not. They gathered all of the information and numbers from me, and told me, 'if you continue in this way, you'll succeed. But the most important thing is that you work hard and be patient and produce.' Of course, this made me very happy.

The stories continue in a similar vein with a range of projects (a fertilizer factory, furniture showroom), but all with a common trait: Before seeking assistance from the SFD, the selected entrepreneurs were *already* success stories.

The film's voice over tells us: 'Successful projects do not require a place or resources or even a lot of workers. Creative ideas can come from anywhere and be realized in any form.' But Manal (26)—a *qisat el fashl* (failure story) as she quipped—felt differently. She explained that the SFD targets people who already have money. As she put it, 'they help people who don't need their help.'

> I went the SFD in 2009 to try to open a shop with my mom selling house goods. We live in a very busy area next to the market, so we decided to take advantage of the space. But the shed in front of our house where we wanted to sell from didn't have a roof or a door, so we had to keep making trips every day up and down the stairs with all of the goods. My mom has a bad leg and I work a different job, so we couldn't keep it up. We wanted a loan of LE 6,000 to build a roof and put a door. So I went to the SFD and they said I had to get a quarter of the amount and collect a ton of paperwork from all over—I had to get a commercial license and proof of ownership of the house. A bunch of stuff. And then they would give a loan, but still charge interest. So I said, 'I'll do all of that and what will you do?' I'm still not sure, but they look well groomed (*wilad naas*). So I'm sure they do something [*Laughs*].

Fatma (28) wanted to open a hair salon with her uncle in 2008. She explained how after seeing a commercial about how the SFD provides assistance to people who want to start a project, she sat her uncle down and convinced him of the plan. He was a trained hairdresser out of work, and Fatma was an ambitious recent college graduate who wanted to start a business.

> There were so many commercials that really motivated you. They made it seem like the country [*el balad*] actually cared about you and wanted you to succeed. The commercial said that if you are interested in starting a project—even if you have just the vaguest idea of what you want to do—they would help you realize it. They would sit down with you and help you plan out how to pursue the project, then they would train you on how to manage the project, and they would give you the loan and support you along the way. But when I asked for LE 7,000 to open the hair salon, they said I had to bring them proof that I had a space rented and I had to have paid the rent for the past six months or something like that. I also had to prove that I had LE 10,000 to make sure that I would be able to realize the project. But if I already had all that, why would I go to them?

I asked Fatma if, with all of the paperwork, she thought it differed much from a government office: 'Very much so! You walk into the SFD and its smells nice [*riHtuh Helw*] [*Laughs*]. It looks like a bank. Actually, I'm not sure what the difference is between the Fund and a bank.'

Mr. Hamed, a former employee at the SFD and current executive director of a local volunteer organization, expressed a similar sentiment: 'They go through the same

processes as the bank does and require a similar interest rate. It doesn't simplify much of anything.' He explained that in 1996 the SFD started giving loans, but there was no oversight nor follow up with the clients and many could not repay what they borrowed. The SFD realized this approach was not working, so they changed strategies. The Fund began giving money to banks to then be offered as loans because the banks were more sophisticated. However, this meant it was much harder for those most in need to acquire loans because they had to meet more requirements by the banks. The SFD discovered that the money was not being disbursed. As Mr. Hamed described it, this 'made the SFD look bad'—referring to the SFD's commitment to foreign donors to finance those 'who need it most.' Mr. Hamed explained, now the SFD provides funding, but 'these loans are only for existing businesspeople. Funds for startups are very limited'—an assertion supported by the SFD's own portfolio of success stories.

Mr. Hamed noted this selective distribution of funds was also the result of incentive schemes provided to the SFD loan officers themselves: 'For example, they might get paid depending on how many good loans they sell. They don't care about helping the client or making sure the client is most in need of the loan. They just want to sell as many successful loans as possible.' As external testimonials and Mr. Hamed suggest, the film's mistranslation may not have been all that inappropriate. Indeed, it seemed the SFD would determine what constituted 'Legitimate Dreams' deserving of assistance.

Conclusion

As Mosse (2004) posits, '[d]evelopment projects need "interpretive communities;" they have to enroll a range of supporting actors with reasons to participate in the

established order as if its representations were reality' (646). In the case of the main body designated for Egypt's micro and small enterprise development, we see a broad spread of supporting actors. At the most apparent level we see representatives of major donor organizations—USAID, EU, UNDP, World Bank—and their elite Egyptian interlocutors, represented by SFD board members of the Nazif cabinet. 'Interpretive communities' (Mosse 2004, 646) then permeate the organization in the form of expanding quasi-governmental bureaucracies—auditors, technical officers, loan officers—with the integration of select beneficiaries, offering the requisite *qisas el nagaH* [success stories].

Contributing to the rosy depiction of the organizations and institutions designated as 'safety net' providers for SMEs during economic liberalizing reforms, the international donors also offered their own 'interpretive communities.' A 2012 report commissioned by USAID, for example, applauds the Law 141/2004, which as previously noted mandated SFD as the supervisory body for all micro and small enterprises. The report highlights the law as an effective move 'to improve SMEs' market access and spur demand-led growth,' concluding that '[i]n its objectives it was and remains successful' (Clark et al 2012, 4).

But despite the stated 'success' of SME programs, the authors still have to contend with numbers telling a much bleaker story of Egypt's SMEs. The reason behind Egypt's continued 'missing middle,' the report concludes, lies in 'difficulties and deficits at the enterprise level' (*ibid* 4). That is to say, the report suggests that the appropriate macroeconomic conditions have been set for SME growth, and the causes of SME underperformance instead lie with the entrepreneur. To name a few of their shortcomings: 'ignorance of business opportunities,' 'poor resistance to bad governance,'

insufficient education, poor management skills, and risk aversion (*ibid*). Echoing their interpretation, according to a recent report conducted by the ECES in partnership with the German Development Institute (GIZ), *behavioral characteristics* (or 'ambition and the readiness to take risks') are included amongst the 'key determinants of SME upgrading in Egypt' (Loewe 2013, 119).

As Mosse (2004) suggests, 'power lies in the narratives that maintain an organization's definition of the problem' (646). Additionally, the more actors asserting this definition, 'the more stable and dominant development policy models become' (*ibid*). Indeed, a range of actors—both domestic and international—have supported this interpretation of 'the problem' of SME exclusion as one of deficiencies on the part of the entrepreneur. And as will be discussed in the chapters that follow, this discourse conveniently suited the agenda of the individuals representing Egypt's 'reform winners.'

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Chapter 4: USAID's 'Private Sector' Projects: Planting the Seeds of Exclusion

Introduction

Of the Middle East's reformer countries of the 1990s, Egypt is highlighted as demonstrating amongst the highest 'levels of interaction' between foreign interlocutors and local policy makers during the reform process (Heydemann 2004, 9). USAID has been no small contributor to these reform era interactions. Indeed, the Agency has played a significant role in the foundation of Egypt's political economy since Sadat's 1974

infitah, becoming an object of much criticism by those with an intimate knowledge of Egypt's recent history (e.g. Springborg 1989; Mitchell 2002; Jadallah 2015). The long-term negative consequences resulting from USAID initiatives have manifested themselves both on Egypt's physical landscape (Mitchell 2002; Sadowski 1991), as well as in the political sphere, with USAID funds serving as rent streams to empower select individuals operating in the domestic arena (Adly 2011).[43] The ECES and US-Egypt Presidents' Council introduced in Chapter 1—which we may recall were established with USAID assistance in 1992 and 1994, respectively—have garnered particular attention for their roles in promoting crony capitalist tendencies (e.g. Rutherford 2008; Roll 2010; Roccu 2012; Grimaldi and O'Harrow 2011).

This chapter focuses on two of the central USAID-funded initiatives conducted in parallel to the creation of the ECES and Presidents' Council that have received less attention: (1) the project to transform the erstwhile governmental Federation of Egyptian Industries (FEI) into a private sector body beginning in 1994, and (2) the establishment of the Egyptian Exporters Association (EEA) in 1997.[44] We see a reappearance of many of the same individuals introduced in Chapter 1 serving as USAID interlocutors, and a repeat of their ability to secure millions of dollars in funding through USAID's ongoing mission to contribute to Egypt's reform project throughout the 1990s. Special attention is

[43] Perhaps the best example of this can be seen in the person of Hussein Salem—one of the central engineers and beneficiaries of the controversial Egypt-Israeli gas deal estimated to have cost the Egyptian state more than $700 million due to years of sales at below market prices (Trew and Diab 2014). Salem, with roots in Egypt's intelligence agency and close friend of President Mubarak, served as one of the chief negotiators of Egypt's post Camp David agreements with USAID in 1979, before becoming top supervisor of the new USAID programs in DC (Adly 2011, 12). He was forced to flee from the US when US intelligence discovered he had been taking a considerable cut of the USAID he was transporting to Egypt (*ibid*).

[44] Jadallah (2015) does highlight the USAID-FEI project for its role in shaping elite Egyptian-US relations, and offers a fairly thorough critique of the project. This chapter serves the function of highlighting the actors and intra-elite tensions key to the organizations and reforms of central relevance to the assemblages discussed in the chapters that follow.

paid towards these particular organizations for their role in shaping Egypt's industrial policies into the 2000s (Chapters 5 and 6).

To demonstrate the elite capture that occurred in the process of these initiatives, this chapter draws from the final evaluations commissioned by USAID to assess the two programs upon expiry of the USAID grant period. Close reading of the evaluations reveal evidence of both: (1) the provision of substantial rent streams to a select group of 'reformers,' who presented themselves as convenient interlocutors for their American counterparts; as well as (2) various forms of exclusion that were simultaneously institutionalized. I argue this occurred with significant USAID complicity as the Agency failed to create incentive structures that would demand greater inclusion, concerned primarily, instead, with market liberalization and the interest of US firms.

The temporal implications of these early reform gains are essential. We see in subsequent chapters how developments during this period led to the compounding capital of these select private sector 'reformers' who sat on the executive boards of the organizations considered. This chapter lays the groundwork for those to come, which follow a set of early reform winners who began their economic ascent in close contact with various forms of capital provided by USAID. We see how these individuals used the heavily endowed organizations, ostensibly intended for broad based 'private sector' empowerment, instead as vehicles for their personal economic enhancement. Such discussion provides essential context for understanding the nature of relations between central actors of the business-sate assemblage that would emerge in the 2000s.

* * * * *

I. Privatizing the Federation of Egyptian Industries (FEI): (1994-1999)

Prior to Sadat's *infitah*, the Federation of Egyptian Industries (FEI) constituted one of only two business associations in Egypt. The other, the Federation of Egyptian Chambers of Commerce (FECC), concerned itself primarily with trade while the FEI was mandated to represent Egypt's manufacturers. Since then, a number of elite business associations have emerged such as the previously mentioned AmCham and EBA; However the FEI and FECC remain the only notable associations counting smaller enterprises amongst their members, making them central components to understanding the venues of representation available to the majority of Egyptian firms.

During the Nasser era of central command, the FEI and FECC came under the close supervision of the state. A Presidential decree issued in 1958 mandated that the Federations' presidents and one third of board members, previously chosen by popular election, would instead be appointed by the Minister of Industry (Adly 2009).[45] While this command structure persists to current date, internally the Federations have seen a number of changes. As Kandil (2012) describes it, in the 1990s a group of businessmen 'infiltrated' the FEI and FECC in order to 'fashion more reciprocal power relations' between themselves and the government (209). What Kandil (2012) does not mention is that the crony capitalist 'infiltration' of the FEI in the 1990s was aided by considerable US support.

Assembling Representation

In 1994, USAID initiated its 'Project to Transform the Federation of Egyptian Industries into a "Private" Industrial Association Compatible with a More Open and Market-Oriented Economy,' endowing the scheme with approximately $17 million in

[45] During the era of the Businessmen Cabinet, a group of FEI members pushed towards changing this policy. Select members of the board drafted a law and presented it to the Minister of Industry and Trade, Rashid Mohammed Rashid, but the issue never made it before Parliament (Hussein 2013).

funding (Sines 1999).[46] USAID's ultimate aim in financing the project was to transform what they saw to be a 'socialist era "white elephant" organization' into a more market-friendly business association that could effectively lobby for the economic liberalizing reforms in motion (*ibid* 40).

The project constituted a smaller piece of the overarching reform package that USAID had been strongly encouraging Mubarak to adopt at the time (Sines 1999, 5). This broader package played a central role in shaping the developments of Egypt's political economy during the 1990s. As the evaluator notes, following the Paris Club's final debt reduction granted to Egypt in 1994, USAID became: 'the primary support for helping Egyptian decision makers to continue to focus on the most important areas of privatization and private sector development' (*ibid* 4). In addition to projects such as the FEI privatization scheme, this 'support' came in the form of a $200 million a year Sector Policy Reform (SPR) project—the latter offering a quid pro quo to the Egyptian government: a 'cash for policy reform' program, providing 'the primary short-run financial incentive for the GOE to continue privatization' (*ibid*). These various rent streams of US funding were, in turn, tied into a web of domestic actors.

1. Phase One: The 'Modern Talaat Harb' (October 1994-January 1997)

With regard to the FEI's privatization project, the story begins with a key US 'private sector' partner and 'long-time embassy contact' (Embassy Cairo 2008): the carpet monopolist Mohammed Farid Khamis, who had been appointed FEI Chairman a few months prior to the project's initiation. According to a high-level employee at the carpet king's Oriental Weavers, Khamis saw himself as a modern Talaat Harb (Author

[46] By the end of the partnership around $11 million had been allocated for the 'privatization' project, in addition to $5.8 million for the building of a new FEI headquarters at the request of Khamis.

interview 2 March 2015)—the FEI's original founder in 1922. Khamis had wanted to revitalize the bureaucratized Federation, restoring its original role as the central 'pro-industry' policy advocate. He envisioned a complete renovation including a new headquarters overlooking the Nile, and petitioned his American friends for funding. At first Khamis' USAID interlocutors were hesitant, describing the move as 'risky' due to the 'potential problems of providing support for privatizing a GOE-controlled organization' (Sines 1999). However, with Khamis' reassurance, the Agency eventually agreed, providing a fund of $5.8 million for the construction of his Nile-side headquarters and pledging an additional $13.8 million for the Federation's institutional overhaul.

As anticipated, Khamis and his USAID partners faced considerable resistance to their initiative. The project's central goal of 'privatizing' the Federation was defined by two core criterion: (1) self-governance—or removal of government interference in decision making, hiring and spending—and (2) democratic elections, as opposed to government appointment, for the board of directors (Sines 1999, 5). In practical terms, this required sensitive transformations within the FEI—first and foremost, the purging of the 'old guard,' which until then had occupied top positions within the Federation (Sines 1999, 15). Whether or not Khamis believed these goals were realistic (and with regard to the body's democratization, desirable) is unclear. As the evaluator notes in hindsight, Khamis had been well aware of the difficulties, but agreed to the terms because he 'needed the money for his ambitious program to revitalize FEI in its new building on the Nile' (Sines 1999, ii). But while Khamis may have failed to achieve FEI privatization, he was able to secure alternative advances towards the overall USAID objective.

Writing Institutions

With this expanded cosmopolitan capital as central Egyptian partner to the USAID project, Khamis experienced increased political sway in shaping reform processes. Khamis' practice of lobbying for key pieces of economic liberalizing legislation sheds light on the complex blend of high-level domestic and international capital utilized to shape Egypt's political economy space during the 1990s and into the 2000s.[47] On the domestic scene, Khamis commanded close links to President Mubarak—a partnership initiated shortly after Mubarak's initial ascent to the executive (Forbes 1999)—and maintained regular, personal contact with him throughout his presidency. Khamis' brother, an artillery officer in the Egyptian military, also offered useful capital for navigating top policy tiers, which, according to an executive-level employee at Oriental Weavers, greatly facilitated the acquisition of requisite resources for building and maintaining his industrial carpet kingdom (Author Interview 2 March 2015).

As for his US capital, Khamis had been among the early recipients of USAID funds to support his individual enterprises—awarded, for example, a grant of $315,000 in 1990 for the development of high-tech looms under USAID's Science and Technology Cooperation (STC) Project, for which he also sat on the Steering Committee (Lazar et al 1992, F-2).[48] Mr. Khamis had also been a founding member of the ECES in 1992—which as previously mentioned secured an initial endowment of $10 million from USAID—as well as an original member of the US-Egypt Presidents' Council, which was established

[47] The most prominent example of Khamis' successes highlighted throughout the evaluation was the adoption of the controversial law to privatize Egypt's ports and airports (Airport Build-Operate-Transfer Law 3/1997), shortly followed by the similarly contentious law establishing economic free zones (Investment Guarantees and Incentives Law 8/1997).

[48] The grant took the form of $155,000 and LE 237,000 (at the time apx. $160,000). As of December 2016, the total sum ($315,000) of the grant was equivalent to approximately $576,000 (Author's calculations).

the same year as the FEI privatization project began (1994), and constituted another component of the overarching USAID project for Egypt in motion at the time.

Complementing these earlier ties, Khamis' position as FEI Chairman offered additional access to lucrative international capital. As head of Egypt's largest industrial business association—'with over 15,000 members'—Khamis presented himself to international donors as the voice of Egyptian industry.[49] At times, this played out on grand venues, such as at the 1994 World Bank conference, where Khamis was 'elected leader,' speaking on behalf of the FEI as well as the other private sector business associations in attendance to help donors 'identify and prioritize' investment constraints in Egypt on which to make their donations to the Egyptian government contingent (Sines 1999, 27).

At other times, this played out in more intimate settings—such as when Khamis hosted the US Ambassador at his home, where he eventually convinced the Ambassador to make the government's receipt of USAID's annual $200 million 'cash for policy' grant conditional on passage of the port and airport privatization law (Law 3/1997) for which he had been tirelessly lobbying (Sines 1999, 28). [50] During the visit: '[Khamis] indicated that the Egyptian industrial firms, as represented by the FEI, would support these policy reforms' (*ibid*). And yet, minutes documenting discussion of the law in Parliament instead reveal considerable resistance by other businessmen MPs (El-Mikawy and Handoussa 2002, 57).[51]

[49] 'Khamis, representing FEI, met with donors as a representative of Egyptian industry' (Sines 1999, 28).
[50] We may recall this money was part of the Sector Policy Reform (SPR) program.
[51] As El-Mikawy and Handoussa 2002 note, drawing from Parliamentary Minutes: 'The discussions [surrounding Law 3/1997] showed a rift between two groups of businessmen: those concerned about foreign penetration of airport operations and the protection of workers' rights and those who supported the privatization of and foreign presence in airport operations. The first group lost' (57).

In parallel to his lobbying efforts to privatize Egypt's corridors for his imports and exports, Khamis played a central role in securing the similarly contentious 1997 Investment Guarantees and Incentives Law (Law 8/1997).[52] Among the law's most significant acts, Law 8/1997 established economic free zones, which offered free land and hefty tax exemptions for investors fortunate enough to secure a spot.[53]

This combination of high-level international and domestic capital commanded by Khamis created a powerful portfolio with which to shape Egypt's policy space. However, his monopolization of the levers of influence offered by international donors, as well as his command of business representation in domestic institutions would soon be challenged.

2. Phase Two: Collapse and Re-building of the FEI (January 1997-December 1999)

In January 1997, just a few years into the privatization project, the Federation experienced complete 'institutional collapse' (Sines 1999, 21). The FEI sat stagnant for nine months as USAID and its partners reorganized the rules of project spending and management. Ultimately, Khamis was ousted from his role as FEI Chairman, all of the FEI staff members who had been hired during Khamis' tenure were fired, and in October, the erstwhile presidential cabinet appointed a new board of directors (*ibid* 21*)*.

[52] Law 3/1997 was submitted and discussed in General Assembly in January 1997, with Law 8/1997 submitted shortly thereafter (March 1997) and discussed in May 1997 (El-Mikawy and Handoussa 2002, 53). The Investment Guarantees and Incentives Law (Law 8/1997) played a significant role in the reform era *business-state assemblage* and will reappear many times throughout the chapters that follow for entrenching elite resources capture.

[53] Although the law faced strong opposition during the Parliament's General Assembly discussion, ultimate authority for revising the legislation lay with the specialized parliamentary committee—to which Mr. Khamis was party (El-Mikawy and Handoussa 2002, 53). Mr. Khamis is not referred to by name, but rather as 'Chairman of Egyptian Industries,' (FEI) a position which he occupied at the time. Accompanying Khamis on the specialized parliamentary committee were eight additional unnamed 'representatives of exporters and business associations' (*ibid*).

Khamis' dismissal from his role as Chairman has been highlighted as evidence for a number of claims regarding the nature of 'business-state' relations in Egypt at the time. Fahmy (2002), for example, interpreted Khamis' ousting as evidence that the 'relative autonomy of the Egyptian state [was] indisputable' (243). For Fahmy, the leadership change suggested that 'Top businessmen who rise to power remain there at the discretion of the president and his sons' (243). Similarly, Kienle (2001) argued Khamis' dismissal suggested the 'lack of independence of the FEI' (123), noting that the replacement came shortly after Khamis' attempt to push the regime into taking certain economic liberalizing reforms. However, details offered by the USAID evaluation placed in the context of subsequent developments regarding the rise of Gamal and his cohort in the 2000s complicate the story, suggesting that intra-business elite tensions also played a notable role, yet again offering evidence of analytical pitfalls of imagining categories of 'business' and 'state.'

The USAID evaluation, which 'draws heavily on the ideas and experience' of the new board of directors, offers insights into some of the intra-elite tensions playing out in the FEI project (Sines 1999, 11). According to the new FEI executive board, the Federation's earlier collapse had been caused in no small part by Khamis' authoritarian leadership style, characterized as a 'one-man show' that produced policy agendas representing only Khamis' 'personal view' (*ibid* 16). This new FEI leadership would take the form of 'overwhelmingly younger, successful, private sector types' (Sines 1999, v), who, notably, also possessed close ties to Gamal Mubarak. Abdel Moneim Seoudi, a major player in the automobile assembly industry,[54] would assume the role of Chairman,

[54] Specifically, he was Chairman of Suzuki Egypt and Nissan Egypt. Seoudi was one of only seven car assembly plants in Egypt at the time, making him among the chief beneficiaries of the policy decisions to

and steel giant, Ahmed Ezz, would take the post of Vice Chairman. Ezz, a particularly close friend of Gamal,[55] was delegated the task of overseeing the USAID project, making him now the chief authority for reinvigorating the floundering initiative, and primary US contact for tracking project progress.[56] Central actors of the Gamal cohort also gained seats on the new FEI executive board including the omnipresent Taher Helmy, and most notably for this dissertation Galal Zorba, who would also be appointed Chairman of the FEI's Textile Chamber (the relevance of which will become apparent throughout the sections that follow).

Under this new leadership, the FEI had successfully become 'dominated by a private sector mentality' which, in turn, positioned them 'to work as partners with donors to transform and industrialize Egypt's industrial sector' (Sines 1999, iii). However, as we will see below, in practical terms this instead translated to increased representation in Egypt's policymaking space for a small group of cosmopolitan elites whose interest in 'industrializing' Egypt proved questionable.

Tracing the Economic Capital

Following Khamis' dismissal, the US funding Khamis had secured through his own lobbying savvy along with control of his Nile-side headquarters were passed to Ezz and his fellow FEI executives; And their rent was to flow with greater ease. Along with

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exclude vehicle imports from the general tariff reductions in 1997, which stood at 40-135 percent (Dean 2004, 329).

[55] Ezz would also become Gamal's main financial backer in the latter's political participation, which increased throughout the 2000s (Springborg and Henry 2010, 192).

[56] The business interests of these individuals were also deeply intertwined, with Ezz later supplying the steel for the automobile assembly activities of Seoudi (Winne 1999). Curiously, the same month (October 1997) that Ezz took over as FEI Project leader, a 'public-private partnership' contract was signed for the construction of a giant steel plant in Suez that would produce one million tons of flat steel sheets (Dean 2004, 328). This plant would later become a major component of Ezz's steel monopoly holding group. By 1999, 40 percent of this flat steel would be sold to Egypt's 12 auto assembly plants (Winne 1999), with Seoudi and Ghabbour, the latter in particular, dominating the market.

the introduction of new faces, the renewed project brought amendments to rules of fund management to 'save' the project. During the initial years, the Egyptian branch of USAID's DC-based partner (the Center for International Private Enterprise)[57] conducted close oversight of project spending. However, after the 1997 collapse, USAID money was instead transferred directly to the new FEI board in the form of subgrants (*ibid* vi). The board opened a private bank account to accommodate the new inflow of cash, required only to submit 'documentation' of spending (*ibid* 23).

Along with greater freedom in managing the project's endowment, the new FEI board also gained increased agency in providing services. The FEI would now submit proposals with budgets, receive the funds, and take full charge of implementing the suggested programs (*ibid* vi). However, while USAID's evaluator lauded the Federation's institutional developments, he offered less praise for the member services provided by the new leadership. As the evaluation notes, the new board demonstrated: 'slow progress on actual use of funding for training and other services for its members' (*ibid* 17). In fact, there was such little FEI activity within the first six months of the new board's appointment that USAID decided to open the project's grant to other private sector business associations, such as AmCham, in attempts to 'spur on FEI activities' (*ibid* 24)—a strategy apparently producing the desired results.

Creating the Quasi-Governmental Bureaucracy

When the FEI leadership realized their monopoly over the US endowment was not secure, they devised ways to demonstrate their commitment. The first step included hiring new staff in the form of a 'Project Management Unit,' physically relocating them to the new FEI building while leaving behind the remaining FEI bureaucrats—essentially

[57] For more on the Center for International Private Enterprise (CIPE) see Jadallah 2015.

creating a parallel organization through which to channel the USAID project funding (Sines 1999, 16). The Project Management Unit would serve the function of providing the newsletters, brochures and economic studies necessary to keep the USAID grant flowing exclusively through the FEI executive board. With a new team of quasi-governmental bureaucrats in place, offering the requisite trappings of inclusive service, the core activities of the Federation could now be pursued more freely.

'Expanding Representation:' Integrating New Members

The FEI's core activities took the form of 'advocacy for policy reforms' (Sines 1999, iii), or lobbying; and under the new board's direction, inclusion into the FEI's efforts of policy influence expanded. However, this increased inclusivity took the form, not of new Egyptian manufacturers, but rather banks, investment firms, and insurance companies—both domestic as well as international. As an advertisement published in English in Al-Ahram Weekly encouraged: 'Join the Federation of Egyptian Industries, whatever your field,' debunking possible preconceptions with the rhetorical: 'Who said that membership is only open to industrial companies?' (*Al Ahram Weekly* 1999). [58]

The Federation offered to its international target a '[f]ace to face audience with decision makers whose decisions affect your business' (*Al Ahram Weekly* 1999). According to the final evaluation, under Ezz's leadership, the FEI delivered on its promise, providing: 'an effective lobby for business and economic reforms that enhance the performance and profitability of US companies that are on the rise in Egypt' (Sines 1999, vii). By way of example, the evaluator notes that the FEI's expansion of membership opportunities to non-industrial firms had benefited companies such as 'the

[58] Provided as an addendum in Sines 1999, originally published in print 16 December 1999.

US insurance giant ALICO [American Life Insurance Company],' which was amongst the earliest to take advantage of the Federation's new inclusivity (*ibid*).

The case of ALICO provides a useful example for how the profitability of these new membership opportunities transcended borders—benefiting both the American firms that were being integrated into the FEI lobbying networks, as well as their Egyptian partners. What the evaluator fails to mention is that ALICO's Egyptian branch, the Pharonic American Life Insurance Company, had as its chairman Mounir Ghabbour—relative of Raouf Ghabbour, automobile king and close confidant of Gamal Mubarak (*Enigma* 2015). Incidentally, Mounir, who began his career in insurance brokerage before expanding into tourism and real estate (*World Investment New* 2000), would also be amongst those convicted in the aftermath of the 25 January Revolution for illegal acquisition of public land, which he secured from Businessman Minister of Housing, and close Gamal collaborator, Ahmed Maghraby, at a price found to be LE 72 million below market value (*Ahram Online* 2011).

Privatize or Democratize?: Expedient Priorities

While the reimagined FEI granted increased representation for US firms and their elite Egyptian counterparts, the Federation's smaller members experienced a decidedly different outcome of the USAID project. Their exclusion was perhaps most apparent in the project's failed objective to 'democratize' FEI leadership. As we may recall, since the Nasser era, the Federation's Chairman and one third of its board was appointed by the Minister of Industry.[59] The USAID project instead called for leadership to be chosen by the Federation's 'grass roots membership base' (Sines 1999, 6). However, as of present date, top-down appointments by the government continue. The USAID evaluation is

[59] In 2004, this would become the Ministry of Industry and Trade (by Presidential Decree 226/2004).

revealing for how—despite subsequent campaigns by smaller Federation members—privileged representation for the elite was institutionalized during this period of institutional transition in Egypt.

The USAID evaluation concluded with regard to the early failure to democratize that 'The privatization of FEI now might lead to elections that would be dominated by the old guard and would exclude key young leaders that are adding so much of the current vision and dynamic impetus to FEI' (Sines 1999, v). Indeed, it would not be expedient for the US interlocutors to lose their partners in reform. Consequently, the democratizing mission took second place to more pressing matters of securing 'market liberalization.' The discord produced by USAID's paradoxical mission of both democratizing and privatizing the Federation is resolved with the justification that the undemocratic leadership structure was a temporary necessity, to be eventually phased out: 'During this *transition*, maintaining the GOE appointments actually strengthens the private-sector orientation of FEI and allows it to more efficiently advocate private-sector reforms…[emphasis added]' (*ibid*).[60]

However, with the privilege of hindsight, we see how this ostensible 'transition' phase instead became entrenched, outliving both cabinet and regime change. During the era of the Businessmen Cabinet, a group of FEI members petitioned to change the leadership appointment policy to a more democratic process (Hussein 2013). They drafted a law and presented it to Businessman Minister of Industry and Trade Rashid, but the issue never reached the halls of Parliament. Members raised the question of more democratic FEI representation again during the presidential transition in 2013 following

[60] As for 'smaller less politically connected private business associations,' their integration is offered as a recommendation for the future (Sines 1999, 36).

Morsi's ouster (*ibid*). In response, the newly appointed FEI Chairman, Mohamed Elsewedy, remarked in an interview with an Egyptian newspaper that he supported the switch to nominations instead of appointments, but only under the condition that votes be weighted in accordance with business size. Mr. Elsewedy—of the Elsewedy Electric family, with assets worth upwards of $1 billion (Roll 2010)—argued: 'A business worth LE 10 million, for example, should not have the same weight as a LE 1 million company. Otherwise, we can end up with ten small businesses controlling the Federation' (Hussein 2013).

At the individual level, Elsewedy, whose family members were also noted figures in Mubarak's inner circles (Roll 2013), provides an instance of the persistence of pre-regime networks of privilege. At the organizational level, his chairmanship at the FEI offers a case of institutionalized exclusion on platforms of ostensible inclusive representation that originated in early reform era organizations, and would persist beyond regime change. As will be discussed in the chapter that follows, this capture of representation within the Federation would also continue to serve as a mechanism for elite capture of both the domestic policymaking space as well as international rent streams throughout the 2000s.[61]

Business-State Assemblage

Transformations within the FEI must also be understood in the wider context of the business-state assemblage in motion at the time. Indeed, FEI developments reverberated throughout the reform era space of representation, transcending organizational boundaries. As is repeatedly acknowledged throughout the USAID

[61] As will be discussed in the following chapter, this leadership structure would bring Zorba to the position of President in 2004. And as of 2016 (i.e. 17 years following publication of this evaluation) the appointment system remains the same.

evaluation, the FECC—which we may recall as the FEI's commercial counterpart—was dominated by many of the same individuals who formed the core of the FEI's new leadership. For example, the industrial Federation's new Chairman after the 1997 transition, Seoudi, also commanded a top position in the commercial Federation and played a central role it its institutional overhaul, which effectively marginalized the voice of smaller members (Jadallah 2014, 89). Additionally, 'private sector' elites integrated themselves into other top business organizations. Most notably, AmCham, also benefited from the new FEI leadership's empowerment in the policymaking realm. As the erstwhile AmCham Executive Director told the evaluator: 'AmCham's effectiveness would be substantially curtailed if FEI, their partner in reform, cut back its services and lobbying efforts and was allowed to regress to its pre-[USAID project] state' (Sines 1999, xi).

Concerning the role of economic capital in the broader assemblage, the FEI project must be understood as part and parcel of the wider web of USAID funding and initiatives in motion at the time—as evidenced, for example, by Khamis' leveraging of the ($200 million) Policy Program to secure domestic 'market liberalizing' legislation. Meanwhile, tracing the human actors within the emerging assemblage, we see simultaneous transformations in leadership occur in other core components of the US-Egypt partnership. A few months prior to the FEI leadership transition (October 1997), for example, Gamal became head of the Egypt-US Presidents' Council (Kienle 2001, 129). And the same year, as will be examined in the section that follows, Zorba would also secure considerable financial support from his USAID contacts for a new project: the Egyptian Exporters' Association, or ExpoLink.

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II. The Egyptian Exporters' Association, aka ExpoLink (est. 1997)

Alongside USAID's project to privatize the FEI, the Agency offered support to additional organizations promoting Egypt's transition to a 'market-based' economy. The Egyptian Exporters' Association (EEA), established in 1997, was one beneficiary of this generous assistance—receiving an $18.3 million startup grant, accompanied by a $14.4 million extension grant in 2002 as part of USAID's 'Growth through Globalization' program (Wellons et al 2005). Adding to the organizational web, ExpoLink technically began as the 'action arm of EEA for implementing USAID's assistance program to the association' (*ibid*). However, the names would quickly merge, becoming interchangeable.

Incidentally, the co-founder of the Exporters' Association who managed to secure the USAID seed funds for his export promotion project was also one of the 'key young leaders' appointed to the new FEI board in 1997: Mr. Galal Zorba. Zorba, who would act as ExpoLink's Chairman, would also eventually succeed Seoudi as FEI Chairman alongside the ascent of the Businessmen Cabinet in 2004 (discussed in the chapter that follows); but first it serves to examine the networks of cosmopolitan capital at work with the creation of Egypt's premier service for export promotion.

1. Tracing the Social Capital: The ExpoLink Assemblage

At the center of the ExpoLink assemblage node we find a web of individuals possessing a wealth of socio-economic capital, chief amongst them: Zorba and his ExpoLink co-founder, Alaa Arafa, as well as ExpoLink Vice Chairman, Mohammed Kassem.[62] These three individuals, will reappear throughout the subsequent chapters for

[62] Mr. Arafa discussed his role as EEA co-founder during and interview (Author interview August 20, 2013); It was also published in his 2012 biography, but now removed (Arafa Holding 2012).

their roles in redefining Egypt's largest industry, simultaneously becoming kings of Egypt's garment export sector—an ascent assisted in no small part by close US ties.

Zorba entered the 'private sector' in the garment assembly business in the 1970s. His Nile Holding Group would eventually grow to include a range of ready-made garment (RMG) subsidiaries, while his additional 'private sector' activity similarly expanded into diverse sectors through participation on the board of corporations in some of Egypt's top firms in consulting, investment, and construction.[63] As for his cosmopolitan capital, Zorba's US ties can be traced back many decades—including, for example, an invitation to the official state dinner held in Washington, DC to celebrate the signing of the Middle East Peace Treaty in 1979 ("Guests" 1979). With regard to more formal participation in DC commercial diplomacy, as previously noted, Mr. Zorba was appointed one of the 15 members of the elite US-Egypt Presidents' Council, inaugurated by President Mubarak and US Vice President Al Gore in 1994 (discussed in Chapter 1). And when the US-Egypt Presidents' Council was revived in 2001, under the new name of US-Egypt Business Council, Mr. Zorba would assume Gamal Mubarak's old position as Council President. It was in this capacity that he began his lobbying for both a US-Egypt Free Trade Agreement, as well as for the QIZ trade agreement (serving as chief QIZ negotiator), which will be the subject of Chapter 7. A long-time member of the elite business association, AmCham, Zorba also participated in the group's annual 'Doorknock Missions' to DC for lobbying visits with US senators, members of congress and top officials (AmCham 2001).

[63] Some of his positions included a seat on the board of the investment and private equity firm, Egypt-Kuwait Holding (where Alfi was managing director and CEO); National Bank of Kuwait-Egypt; Arab Contractors; Osman Ahmed Osman & Co. (Arab Contractors 2011).

Mr. Zorba's domestic capital also proved quite good for business. Most notably, he commanded close links to Gamal Mubarak, including a seat alongside Gamal and Alaa Mubarak on the board of directors of the al Watany Bank of Egypt, and later the National Bank of Kuwait-Egypt after former's controversial acquisition by the National Bank of Kuwait in 2007;[64] a seat on the executive board of Gamal's Future Generation Foundation, as well as on that of Egypt's International Economic Forum, which we may recall from Chapter 1 as an elite international networking platform supported by the Mubarak regime (Saleh 2010). Finally, he was a founding member of the ECES, later assuming the position of Vice Chairman to Taher Helmy (1999-2004), before becoming Chairman in 2005.[65]

For his part, Mr. Arafa, like Mr. Zorba, also began in the RMG industry as CEO of Swiss Garments Company—which, as of 2006, has become a subsidiary of Al Arafa Investment and Consultancies Company (Arafa Holding) and now boasts a status as 'one of the largest export oriented industrial platforms in Egypt and the Middle East' with net assets reaching nearly $200 million (Arafa Holding 3, 2014). The impressive expansion of Mr. Arafa's business activities and profits over the 2000s will be examined at a later time. For the purposes of this chapter, taking note of Arafa's wealth of networks and high-level social capital suffices.

[64] Following the Revolution, Gamal and Alaa stood trial for alleged corrupt procedures surrounding the sale of the bank in 2007. The two brothers, along with seven other board members, were accused of insider trading, allegedly profiting LE 2.5 billion through the sale. Mr. Zorba remained on the board of the new National Bank of Kuwait-Egypt after the dubious sale to the National Bank of Kuwait until 2013 (Mahrous 2013).

[65] Noted in the introductory material of ECES publications (Cardoso and Galal 2002; Policy Viewpoint 2005; Kheir El Din 2008). In 2009 Zorba remained on the board of directors, but was replaced as Chairman by Taher Helmy (Kheir El Din 2009).

First and perhaps most important for Arafa's initial rise was his inheritance of military capital—his father, Ahmed Arafa, hailed from the Egyptian Air Force[66] before re-appropriating the family business in 1974.[67] As for his cosmopolitan capital, Mr. Arafa was a regular contact of the US embassy, whose representatives, as he described it, 'are always asking my advice' (Author interview 20 August 2013); Chairman, then board member of the British Business Council, and Co-Chairman of the Egyptian Italian Business Council (EIBC) (Arafa Holding 2012 and 2013). Arafa also possessed a number of international business partnerships, including with the Israeli Bagir Group, the Italian Forall Group and a number of British garment production and retail firms (Arafa Holding 2013).

Finally, Mr. Kassem, ExpoLink Vice Chairman, began his career as an 'organization specialist' in the General Authority for Organization and Administration (GAOA) (Kassem n.d.)—a government body responsible for 'all reform, training, evaluation and restructuring of the civil service since 1964'—described by Abdelrahman (2015) as the most central body of the state bureaucracy (25). He then spent the next decade plus as a commercial attaché in the Egyptian Embassies of, first Khartoum, then Washington DC (Kassem n.d.). In 1989, he 'left the government to the private sector' for his current position as Chairman and CEO of the World Trading Company for RMG, the 'leading marketing company in the field of Textiles' (*ibid*), which sources garments from Mr. Zorba, amongst others, to major US distributors, such as Levis and Liz Clairborne (Salinger 2008).

[66] A fact independently confirmed by multiple sources on close terms with Arafa. Alaa's father was also from the Manofia governorate—infamous for its production of two Egyptian presidents (both Sadat and Mubarak) as well as a number of their administrations' top political actors.
[67] The Arafa family fabric retailer had been appropriated by the state under Nasser (Arafa Holding 2013).

As we will see in the subsequent chapter, all three of these individuals later assumed top positions within the Rashid-era web of Public Private Partnerships. At the organizational level, ExpoLink would also become an important 'Partner,' reconfigured to access new forms of rent streams when the USAID grants expired. However, before examining ExpoLink's later developments, it serves to step back to the initial years of the organization. A product of the *era of privatization* (1990s) (Wurzel 2004), ExpoLink offers a glimpse into the networks of some of the early 'reform winners' who would continue their ascent in Egypt's business-state assemblage of the 2000s. The following section draws from USAID evaluations of the ExpoLink program to demonstrate the different forms of exclusion that occurred during the early days of internationally funded private sector export promotion that were to display similar trends in the 2000s.

2. Evaluating Export Success and De Facto Exclusion

The USAID project to support the Egyptian Exporters' Association (ExpoLink) took as its central objectives to: (1) 'increase Egyptian exporters' competitive advantage;' and, as with the FEI privatization project, (2) 'institutionalize policy advocacy' (Wellons et al 2005, 1).[68] While the project aimed to promote the Egyptian 'private sector' at large, it also placed special emphasis on inclusivity across firm size. As the evaluation explains: 'Identifying and providing support to small enterprises with untapped exporting potential is considered an important part of [the project], in order to provide opportunities to small enterprises and previously disadvantaged groups' (Wellons et al 2005, 3).

However, the first five years of the ExpoLink grant period (1997-2001) yielded questionable results with regard to smaller firm inclusion. At the expiration of the initial

[68] ExpoLink is described in the USAID evaluation as being 'among the few Egyptian private sector organizations chartered and approved by the Egyptian government that includes policy advocacy as one of its objectives' (Wellons et al 2005, 14). The FEI and ECES also shared this special approval.

$18.3 million funding period, negotiations between ExpoLink leadership and USAID representatives were conducted to determine whether or not the $14.4 million extension grant should be offered. Based on recommendations from the 2000 mid-term evaluation, USAID requested that ExpoLink increase its attention towards smaller firms, which the external evaluator suggested had not been satisfactorily served by the initial ExpoLink projects.[69] In compliance, ExpoLink leadership integrated two core activities—Start-Ups Assistance and Technical Assistance for small firms—in addition to their central activity of organizing trade fair participation.

ExpoLink's Start-Ups program aimed to 'help smaller manufacturers with little or no export experience eventually to become successful exporters' (Wellons et al 2005, 5). Over the course of the grant extension—which, we may recall, contributed an additional $14.4 million—a total of zero beneficiaries could be cited against the target of 70 (*ibid*).[70] ExpoLink leadership justified the underperformance by pointing to other organizations—chief amongst them, the IMC (discussed in-depth in the chapter that follows)—for offering similar services for less.[71] However, as the evaluators note, there was 'also a lack of focus and effort in implementing this activity' (*ibid* 23). And yet, in the report's executive summary we find a neat 'composition' (Mosse 2004) with the blameless statement: 'work with start-up companies proved difficult' (Wellons et al 2005, iv).

As for small firm technical assistance, the evaluation uses a single performance indicator: the number of technical assistance projects implemented, demonstrating little interest in assessing the quality of support. However, even under the superficial criterion

[69] Negotiations for acquiring the grant extension were apparently fraught with disagreements, lasting more than a year. They resulted in the May 2002 Cooperative Agreement (Wellons et al 2005).
[70] As mentioned, the grant extension was for the 2.5 year period: May 2002-December 2004.
[71] The IMC subsidized 85 percent of costs to clients, while ExpoLink only offered 50 (*ibid*).

of number counting, ExpoLink's performance is found wanting with only 27 technical assistance sessions held for smaller firms against the original goal of 98. In their defense, ExpoLink leadership—which had been tasked with subcontracting to consultants to host the sessions, or alternatively developing and implementing the projects themselves—explained to their USAID auditors that the discrepancy between actual and target numbers was due in large part to 'the sensitive political situation in the region,' which had made it increasingly difficult for them to find qualified consultants to come to Egypt (Wellons et al 2005, 3).

However, while attracting consultants for smaller firms proved difficult, a number of large business participants—including Zorba's RMG subsidiary, Maytex—enjoyed specialized 'on-site consultant visits' during this same period (Dale and Sidibe 2003, 7).[72] Over the course of the visits, which ranged 'from several days to several months depending on the need of the firm,' experts offered firm-specific assistance to increase productivity through improvements in management and production processes (*ibid*). The majority of these consultants were selected by the firms themselves and subsidized by ExpoLink at a rate of 50 percent. While 84 percent of those receiving the services rated them highly, the vast majority of recipients were large firm owners, with very few, if any, medium and small firms accessing these specialized consultations (*ibid*).[73]

[72] Helmy Abouleish, who will be highlighted for his role in the *assemblage* in the chapter that follows for his Chairmanship of the IMC, also accessed these specialized consultants for his Sekem Group subsidiaries (Dale and Sidibe 2003, 7).

[73] The USAID Client Satisfaction Review cited here (Dale and Sidibe 2003) aggregates data collected regarding customer satisfaction with two other USAID 'partners,' which were organizations specializing in agriculture, in addition to ExpoLink. According to the survey, 64 firms received a consultant visit from 'one or more of the partners'—and 68 percent of those 64 were medium and large firms—leaving only 20 small or micro firms to have accessed the services from any one of the three organizations. It is thus impossible to tell from the data if any small or micro firms benefited from ExpoLink consultant services at all, and how many of the 64 'medium and large firms' that had benefitted from one of any of the three organizations fell into the medium category.

Finally, with regard to the organization of trade fairs, we find yet another form of *de facto* exclusion. Assistance for participating in trade fairs was intended to introduce Egyptian exporters to international buyers and 'provide valuable marketing and market entry opportunities' (Wellons et al 2005, 6). However, with the average cost for a trade fair booth at 6,000 Euro—half of which was to be paid by the participant, in addition to the cost of travel and accommodation—few Egyptian firm owners would be able to access ExpoLink's services (*ibid* 7). While the report highlights the relatively high cost of trade fair participation, it points to the benefits acquired by the participants, concluding '[s]ales generated appear to have been sufficiently strong to contribute significantly to cost-effectiveness' (*ibid* 8).

ExpoLink's stated aim of 'achiev[ing] equitable economic prosperity for Egypt' (*ibid* 1) is dubious given the above logic; Although the evaluators acknowledge the prohibitively high costs of attending the fairs, they continue by contending that the payoff for participants proved sufficient to justify the price. The equation thus leads to the provision of benefits for those who can afford to access them, while excluding the groups in need of most assistance.

3. Tracing the Economic Capital: The ExpoLink Assemblage

ExpoLink also provides an example for how capital compounds, with initial international endowments begetting additional rent streams of cosmopolitan capital. Along with ExpoLink's millions in USAID funds, the exporter association under Zorba's leadership would enter a partnership, generating approximately €350,000 annually in 'management fees' to provide trade fair services for the Industrial Modernization Center (IMC)—a very well-endowed organization, primarily funded by the EU, which will be

discussed in greater depth in the chapter that follows (Wellons et al 2005, 22). The move was hailed by USAID evaluators as a 'sound strategy,' as it would allow ExpoLink to access additional income and sustain its services following expiration of the USAID grant (*ibid* 7). However, how this additional annual inflow of €350,000 was actually spent is not entirely clear. As the evaluators note: 'ExpoLink management did not elaborate to the team how the fund is maintained or used…but management is likely to respond to any USAID inquiries on the issue, should it consider the fund an issue to pursue' (Wellons et al 2005, 22).

Indeed, similar to the dubious project spending of the FEI's USAID endowment, ExpoLink's finance management also raises questions. During the 2.5 year grant extension (2002-2005), the plurality of costs were spent on administrative fees ($1.32 million), followed by trade fairs at approximately $1 million with nearly all of that money spent on either the food or furniture sectors (Wellons et al 2005, I-10).[74] Meanwhile, to fund the Start Ups program of questionable success, ExpoLink's budget reporting cites $39,062 spent in 'overhead' (*ibid* 21).

4. The Final Assessment

Upon expiration of the grant period, the USAID final evaluation summarized the project's outcome: 'The overall conclusions are that ExpoLink has achieved its major goals of providing valuable services to private sector companies in promoting Egyptian exports in key sectors' (Wellons et al 2005, iv). From the macro-level, the project offers a picture of success. Indeed, ExpoLink assisted 'private sector' companies increase their exports. As the report cites, in the final year of the USAID grant period alone: 'the value

[74] Additionally, we may recall, some of this money spent on trade fairs was also subsidized by the IMC following their sub-contracting agreement with ExpoLink in 2003, which is not mentioned in the expenditure information.

of new exports by EEA members attributable to ExpoLink's support reached almost $93 million from the previous year's $24 million' (Wellons et al 2005, iv).[75]

However, if we return to our constant refrain asking *who* exactly comprised the private sector beneficiaries, we arrive at a more ambiguous conclusion regarding the project's merit. Of the $69 million in increased exports, $60 million came from the furniture sector, whose beneficiaries, as will be discussed in the chapter that follows, was dominated by a relatively small group of 15 businessmen. Meanwhile, Mr. Khamis, who managed to integrate himself into the new USAID rent stream despite his FEI ousting, accounted for $1.2 million of the export increases for his added sales to Ikea alone (Wellons et al 2005, 10; Oriental Weavers 2004).[76]

And yet, with regard to the final assessment of ExpoLink's board of directors (headed by Zorba and Kassem), the evaluators applaud their delivery of a 'sound overall direction' (Wellons et al 2005, 17). A 'key recommendation' offered by the USAID's 2000 mid-term evaluation—that ExpoLink's board articulate a 'concise mission statement or "vision" for ExpoLink' (*ibid*)—had been successfully fulfilled. As the final evaluation notes, the statement satisfactorily corresponded to USAID objectives. The vision: 'To become a world class, member-based export development organization that supports sustained export growth, thereby increasing employment opportunities and achieving equitable economic prosperity for Egypt' (Wellons et al 2005, 17). However, while the statement may have ticked the USAID's discursive boxes—suggesting sustainability and broadly-shared benefits—the data offered by their own evaluators

[75] That is, data from 2004 compared to 2003.
[76] The USAID Evaluation notes as one of ExpoLink's successes that Ikea placed a very large order for textiles during one of the organization's 'inward trade missions' (Wellons et al 2005, 10). Khamis, who was an early ExpoLink member, states in his holding company's 2004 annual report that it experienced an increase in exports to Ikea totaling approximately $1.2 million (Oriental Weavers 2004, 14).

(above) illustrates an alternative trend: exclusivity and subsidies for the well-connected, accompanied by a small group of fortunate individuals selected to provide a guise of inclusivity through the requisite *qisas el nagaH* (success stories), while the majority were left behind.

* * * * *

Conclusion

As Mitchell (2002) posits in reference to 'pro-market' policies championed by USAID, an element of self-deception is necessary in order to discuss the very notion of 'the market.' This self-deception, requiring us to overlook social considerations, is why, according to Mitchell, 'nowhere in the reports of USAID can one discover the role of government ministers, senior officials, and their families in the rent circuits of the so-called private sector' (Mitchell 2002, 301). By examining any one of these, the idea of 'the market-oriented economy'—as some kind of empirical space distinct from the social world—unravels. This chapter has attempted to pull at the strings of the free market discourse used by USAID representatives and their domestic partners in order to expose a more complicated picture.

To do so, this chapter has introduced two of the central organizations, or 'players of the game,' created or reconfigured in the 1990s with significant USAID funds. I have argued that the projects, both part of the USAID mission to empower the 'private sector,' instead resulted in the empowering of a very particular segment of the private sector—that is, individuals already possessing lucrative portfolios of socioeconomic capital. As an important corollary to examining the gains of these individuals, this chapter has also

attempted to shed light on the mechanisms of exclusion put in place with USAID complicity contributing to the stark divide between reform winners and losers.

Both the USAID project to privatize the FEI (1994-1999), as well as the Agency's support for ExpoLink, illustrate a number of recurring themes characterizing reform era interactions. Both organizations played the crucial function of providing a guise of inclusive representation and participation in reform era projects. Meanwhile, behind the discursive shroud of inclusivity, we find Egyptian business elites serve as the mediators between international interlocutors and Egypt's domestic 'public' sectors to lobby for policies favoring gain for the few. In the case of the FEI, these Egyptian mediators offered essential partnerships for US firms hoping to navigate the local policy-making space, and in turn, shared in the returns of the joint *cosmopolitan capital*.

Through the development of their international connections, these Egyptian businessmen were simultaneously empowered on the domestic scene, thus enhancing their ability to shape institutions and industrial policies that served to entrench exclusive privilege. Even Khamis, despite his eventual ousting as FEI Chairman, offers an example of the compounding returns of early US capital as he managed to access the rent streams of Zorba, Kassem and Arafa's export promotion project. Wurzel (2004) presents Khamis as an example of the fragility of network, citing developments of his political career and its 'sudden end when the regime felt his networks became too powerful' (109). However, if Khamis' ostensible fall from grace is testament to possible disruption of networks, so too is it evidence of the resilience of cosmopolitan capital. As will be illustrated in the chapters that follow, Khamis managed to reconfigure broken links to continue to capture

a considerable share of the benefits made available during the continuation of Egypt's economic liberalizing reforms.

The next chapter traces the integration of the renovated FEI and ExpoLink into the organizational networks core to the 'business development' space of the second wave of reforms with the rise of the Businessmen Cabinet. At the individual level, the chapter follows the progenitor of the FEI-USAID project (Khamis) and the co-founders of ExpoLink (Zorba and Arafa) to shed light on some of the ways early reform era gains resulting from 'pro-market' international partners reaped future dividends.

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Chapter 5: The Businessmen Cabinet's Public Private Partnerships for Exclusive Development, 2004-2011

> *Capitalize with us, in a tradition that is summarized in the following words of ancient Egyptian wisdom: "Rig your boat, travel near and far, look for a wise partner, knock his door, seek his knowledge, welcome him in your home, this is how your people will prosper"*
>
> — Alaa Ezz (Chief Assistant to FEI Chairman Zorba and Secretary General of the FECC) quoting a pharaoh of ancient Egypt (2000 BC) in a speech given to the 3rd annual Euro-Mediterranean Conference on Donor Funding, Banking, and Novel Financial Instruments, entitled 'The 22 Billion Euro Initiative' (Ezz 2014).

Introduction

The previous chapter examined two of the central USAID projects to support Egypt's 'private sector' during the *era of privatization*. This chapter follows these organizations and individuals as they are integrated into the reform networks of the 2000s with the rise of the Businessmen Cabinet and inauguration of the *era of exports* and *era*

of financialization. We will revisit the FEI and ExpoLink, as well as the executive boards of both USAID funded endeavors, in the Public Private Partnerships core to defining Egypt's industrial policies of the Rashid era. This chapter continues to shed light on modes of elite resource capture, namely by detailing the abuse of 'business development' organizations receiving foreign and/or Egyptian public funding, which offered benefits to some, but both *de facto* and *de jure* barriers for smaller economic actors.

I highlight the proliferation of 'Public Private Partnerships' in Egypt for their role in facilitating and institutionalizing pernicious business-state relations during the *era of exports* and the *era of financialization*. Taking a cue from Wurzel (2004), I aim to show how these ostensibly representative bodies were transformed into 'platforms for influential actors to pursue their own interests' as they functioned under the protection of an 'organizational veil' (111). I argue this was achieved with great assistance from foreign donors whose central aim was to promote economic liberalization, while their understanding of the Egypt's domestic developments remained superficial—their interlocutors confined to the space of cosmopolitan capital-rich elite.

Through micro-level analysis of individuals, networks and resource flows, I aim to contribute additional nuance to Adly's (2013) discussion of the export-oriented reforms of the Nazif 'Economic Team.' Specifically, this chapter investigates the web of *quasi-governmental* organizations intended to serve as the main vessels of industrial development and export promotion redefined in 2005 under the tenure of Businessman Minister Rashid: the Industrial Modernization Center (IMC), Egyptian Exporters' Association (ExpoLink), Export Development Fund, and sector-specific Export Councils ("IMC" 2009). Alongside these organizations, I also highlight the way in which the FEI

and newer trans-national business associations (namely BusinessMed and MedAlliance) functioned within this web of export-oriented organizations to serve as platforms for elite networking, channeling rent streams—in the form of donor funds, financing, markets, and policy making—to representatives rich in cosmopolitan capital.

1. The Businessmen Cabinet's Industrial Development Strategy

In 2004, newly appointed Minister Rashid selected a committee to devise a framework for transforming Egyptian industry into the country's 'engine of growth' (MOTI 2006, 1).[77] The Industrial Development Strategy articulated a fifteen-year vision for bolstering Egypt's industries, highlighting *export promotion* and foreign investment as core components of the plan. Introducing the Strategy, private sector businessman Rashid, now in his capacity as representative of the 'state,' offered a decidedly interventionist approach:

> It is our duty, as a government, to set up the base for development . . . Private businesses invest, produce and employ, but it is the government that creates a business friendly environment, supports entrepreneurs, and promotes national skills. Thus *it should be prepared to step in whenever needed* [emphasis added] (MOTI 2006, 1).

For pro-market Rashid, 'the state' was perhaps once a burden. But when he and his network of business elites took the reigns of top-level government, 'the state' instead assumed an important role in shaping Egypt's future. Still, as Rashid's vision suggests, implementation of the Industrial Development Strategy was not to be the responsibility of the government alone, but rather 'several public and private partners [would] be involved' (*ibid*). These partnerships were to represent the voice of the Egyptian people—the project's success contingent on 'a concerted Egyptian effort' (*ibid*). However, the newly

[77] As Rashid explained, 'We opt for an industry-led development pattern; as industry will push the entire economy forward to its full potential' (MOTI 2006, 1). The Strategy was written between 2004-2005 and published in 2006 (Loewe 33, 2013).

created Public Private Partnerships took a decidedly different form from the inclusive collaboration depicted in the Strategy. As we will see in what follows, Rashid, now wearing the hat of a public sector actor, appointed the players of the game—the individuals who would lead relevant organizations constituting Egypt's Public Private Partnerships for 'equitable economic development' (*ibid*).

* * *

2. The IMC: Creating Partnerships for 'Industrial Development'

At the axis of Egypt's reform era Public Private Partnerships sat the Industrial Modernization Center (IMC). Born of Presidential Decree in 2000, the IMC was established with joint funding from the European Union and Egyptian government (€250 million from the former and €103 million from the latter) making it the largest funded EU project in any non-EU country, and the largest development fund in Egypt (UNIDO 2006, 5; Sekem 2008).[78] The IMC's sizable initial endowment would also later be complemented by resources from various international organizations—serving as a 'landing for numerous funds' (Nazif et al 2010, 99).[79]

As with the Social Fund for Development (SFD) of Chapter 3, the IMC was created as a safety mechanism to accompany market liberalizing reforms—in this case, the EU-Egypt Association Agreement[80]—and intended to support Egyptian industry in

[78] An additional €73 million is cited as coming from the 'Egyptian private sector,' which took the form of cost-sharing contributions by recipients of IMC services (UNIDO 2006, 5).
[79] A 2010 financial survey (introduced by Nazif, Rashid, Zorba, and Alaa Ezz) states that the IMC committed €513 million to businesses between 2007-2010 and as of 2010 had a remaining budget of €88 million (CEEBA 2010, 99).
[80] The EU-Egypt Association Agreement (signed in June 2001 and entering into force June 2004) emerged out of the 1995 framework for the Euro-Mediterranean Partnership, also known as the Barcelona Process (European Commission 2016). The Partnership was an attempt to strengthen economic and security relations between EU member states and non-EU Mediterranean (North African) countries, and conceived of a European-Mediterranean free trade area. The initiative provoked considerable debate and opposition due to the asymmetrical nature of North-South power relations, and the consequences regional economic

the face of increased exposure to international markets (Ebeid 2004). Also like the SFD, the IMC's original objective placed a particular emphasis on supporting 'SMEs' (UNIDO 2006, 5). Following the 2004 inauguration of the Businessman Cabinet, the IMC adopted a new mandate. In accordance with the Industrial Development Strategy—which, incidentally, was funded by and compiled under the auspices of the IMC (UNIDO 2006)—the IMC was to define the national roadmap for the industrial sector: 'set to perform as the prime agent for substantiating the government's vision of a vibrant and globally competitive industrial sector' (IMC 2009). Central to this was the aim of increasing exports produced during the industrial push (Abouleish et al 2005). While the SFD was charged with 'supporting micro business enterprises,' the Industrial Development Strategy designated the IMC as the responsible body for offering services to enterprises with ten or more workers—that is, 'SMEs' as well as larger firms (MOTI 2006, 31).

Along with its new mandate as prime agent for revitalizing Egyptian industries, the IMC also underwent structural changes. Although initially intended to exist as an independent entity, the IMC became integrated under the auspices of the Ministry of Industry and Trade in 2005 shortly following Rashid's appointment as Minister. In the new spirit of public-private cooperation, the IMC would work hand in hand with the 'government' and 'representatives embedded in' a number of quasi-governmental

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liberalization was expected to have on the weaker Southern industries (Gillespie et al 2013). In Egypt, criticism was also strong with dissent coming, most notably, from many industry leaders who would be negatively affected by increased competition with European goods (Ebeid 2004). Expected beneficiaries of the Partnership included select low to medium technology industries, namely fertilizers, cement and natural gas, while the vast majority of sectors were expected to suffer. The IMC (est. 2000) was created in the context of this debate, ostensibly offering a safety net to Egyptian industries threatened by the impending increased competition (Ebeid 2004).

organizations (IMC 2009). As the organization's website offered: 'A unique model of public private partnership is now in progress' (*ibid*).

Representatives of the public sector cited by the IMC took the form of a singular body: the Ministry of Industry and Trade (headed by Minister Rashid). As for the private sector, partners included representatives from the previously examined SFD, FEI and ExpoLink as well as organizations that will be examined below—most significantly, the sector-specific Export Councils and the Egyptian Export Promotion Center (EEPC).[81]

Together, these partnerships aimed to: 'Provide business development support to Egyptian industrial enterprises to reinstate them competitively in Egypt's global markets in the bid to enhance job creation and *secure prosperity for all* [emphasis added]' (IMC 2009). However, *who* in fact had access to this support as well as *the actual services received* are of central importance to this study's investigation of how groups were included or excluded from economic activity during the reforms of the 2000s. Examination of the IMC's organizational structure informs these two important questions. In order to better understand the IMC's internal mechanisms, I spoke with elite businessmen, an upper-level government official in the Ministry of Industry and Trade, representatives of the IMC quasi-governmental bureaucracy, and small and medium-sized enterprise recipients of IMC services.

As described in the previous chapters, business-state relations existing between smaller firm owners and government officials assumed a very different dynamic from those existing between economic elite and top-tier political actors. Similarly, in the world of Public Private Partnerships, small and medium-sized firm owners were left to contend

[81] Additional partners included those which will be addressed in greater depth in subsequent chapters: the General Authority for Investment and Free Zones (GAFI) and Businessmen Associations.

with a cumbersome quasi-governmental bureaucracy and generally unimpressive services (as will be discussed in the *Interlude* following this chapter), while a small network of business elites operating under an 'organizational veil' used the IMC as a platform for securing access to public resources and foreign funds.

Inside the Diera Mughlaqa (Closed Circle): Helmy Abouleish

The IMC was first brought to my attention while sitting poolside in the shadow of an Egyptian construction tycoon's villa. I had accompanied my unofficial minder—a friend of a friend of a friend, who had taken it upon himself to introduce me to the world of Egyptian business elites. The host was his business partner and neighbor in a gated compound of high-walled villas. He had passed by in his tracksuit after an afternoon jog, and—following a brief exchange regarding the deficiency of his partner's whiskey collection—we were invited for drinks. With Johnny Walker Blue Label in hand, my businessman friend introduced me and my project. As he explained it, I was researching business-state relations in Egypt and how such partnerships 'could promote economic growth for SMEs.'

'Interesting,' our host remarked. 'Have you introduced her to Helmy? He had that project with the government for SME modernization.'[82] Helmy Abouleish, I later found out, was former head of the IMC and current managing director of his family-owned Sekem Group, comprised of businesses in food, textile production, and land reclamation (Sekem 2009). He had also served on the team of 'experts' appointed by Minister Rashid

[82] In fact, I had met Mr. Helmy Abouleish the week prior when the same businessman patron had brought me, uninvited by his colleague, to a meeting they were having regarding expansion of Abouleish's Heliopolis University. Abouleish did not appear pleased with my presence, and when I later contacted him to discuss the IMC he put me in touch with his secretary to schedule a meeting. After weeks of back and forth emails and phone calls, the meeting never materialized—something always coming up at the last minute.

to compile Egypt's Industrial Development Strategy (Loewe 2013, 33),[83] which, we may recall, articulated the vision for new levels of public-private cooperation. Indeed, Mr. Abouleish would be quite involved in promoting reform era Public Private Partnerships (PPPs), occupying a number of high level posts within the web of quasi-governmental bodies mandated to lead reforms proposed by the Strategy.

With regard to the IMC, he began his affiliation as member of the board (2004-2005), before being appointed Executive Director (June 2005-December 2006) by Minister Rashid, and then serving as Chairman of the IMC Management Council (2006-2011) (Sekem 2014; Abouleish 2010). His relationship with the IMC, at least in any official capacity, came to an abrupt end with the 25 January Revolution, at which point he was arrested and held in the notorious Tora prison alongside the Mubarak sons (Sekem 2011)—a story to be elaborated below.

Mr. Abouleish's affiliation with additional reform era PPPs includes a dense network of quasi-governmental organizations, which will unravel themselves in the sections that follow. [84] Predating these quasi-governmental posts, Mr. Abouleish also had

[83] Loewe mentions Abouleish in a footnote amongst a list of other members of the team appointed by Minister Rashid to collaborate on the Industrial Development Strategy (from his interview with Hany Barakat, then first undersecretary at the Ministry of Industry and Trade; 17 June 2009). Additional cited individuals include: Nihal el Megharbel, Hany Barakat, and Adham Nadim. The latter would take over from Abouleish's position as IMC Executive Director and will be discussed in greater depth below.

[84] Abouleish also became affiliated with a number of additional bodies during the 'second wave of reforms' which will not be examined in this study, including board member of: Export Council of Medicaments (ECM) (2005), the Science and Technological Development Fund (2008), Renewable and Energy Saving Fund (2007), the Industrial Training Council (ITC), the Modernization of Agriculture Council (MAC) (2006), and the National Organization for Drug Control and Research (2006). He was also technical advisor of the National Council for Childhood and Motherhood (NCC) [known informally as Suzanne Mubarak's pet project], member of the board of trustees for Heliopolis Academy, member of the Steering Committee of the Agricultural Exports' Traceability project (2005), member of the Arab Business Council (2005), member of the Young President Organization (YPO) (2005), President of the Organic Agriculture Committee in the Agriculture Export Council (2005), founding member and Vice Chair of the Egyptian National Competitiveness Council (ENCC) (2004), alongside Taher Helmy (El Baradei et al 2009)—before becoming ENCC Chairman from 2006; member of the Egyptian Education and Employment Alliance (EEEA), member of the selecting panel of the Ashoka Foundation in Egypt (2004) [introduced in Chapter 1], and member of Egypt's International and Economic Forum (EIEF) (2004); board member of the

more direct 'governmental' participation, formalized through his membership on the ruling NDP's Business Council and Education Committee in 2002, and position as board member of the NDP's Educational Council in 2003 (Abouleish 2010).

Rounding out his involvement in the reform era business-state assemblage, Mr. Abouleish also possessed connections to dense elite-level international networks—included, for example, in events such as the annual meeting of the Davos World Economic Forum and invited to speak at numerous World Bank conferences—the cultivation of which was no doubt facilitated by his original endowment of cosmopolitan capital. Mr. Abouleish is Austrian-born, a dual citizen of Egypt and the EU, and fluent in German, English, and Arabic (Abouleish 2010)—all key to his success as a quintessential *skilled broker*.

Redefining the Industrial Modernization Center (IMC)

Under Abouleish's direction, the IMC experienced a renaissance. Despite the IMC's substantial funding, the early days of the program yielded unimpressive results—suggested (according to UNIDO evaluators) by management's inability to disburse more than 6.5 percent, or €28 million, of the organization's €426 million endowment during the first five years of its existence (UNIDO 2006, 5; Abdel-Latif and Schmitz 2009). However, with the 2005 shake up, the new IMC administration, led by Mr. Abouleish, would become much better at dispensing the organization's wealth. According to a 2006 interview with Abouleish published in the *Daily News Egypt*, during the first ten months of his tenure as IMC Executive Director, the organization spent €90 million (Rasromani 2006b). In addition to the activities directly administered by the IMC, much of this

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Egyptian Junior Business Association (EJB) in 2002, before becoming VP in 2003, Chairman in 2004-2006, and on the board of trustees in 2007 (Abouleish 2010).

funding would be funneled through the IMC's *quasi-governmental* partners.[85]

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3. Weaving the Web: ExpoLink

As the IMC's core agent for export promotion, ExpoLink returns to the scene.[86] In the final USAID assessment of ExpoLink in 2005, the evaluators expressed concern regarding project sustainability as there remained no more opportunities for USAID grant extensions. However, rather than abandon a sinking ship, key ExpoLink executives used their networks to instead establish new rent streams that would ensure their continued, and—as we will see below—increased benefits.

In July 2005, ExpoLink leaders signed a contract with the IMC that extended and strengthened the 2003 subcontracting agreement (discussed in the previous chapter), making ExpoLink the chief agent for organizing all Egyptian participation in international exhibitions. ExpoLink services would now be funded in their entirety by the IMC (Pinard et al 2006, 39). Parties to the signing included Mr. Abouleish, who had just begun his first few weeks as Executive Director of the IMC; Mr. Amr Abdel Latif, ExpoLink Deputy Director (under Mr. Zorba's Chairmanship); and ExpoLink Treasurer, Mr. Adham Nadim.[87] Demonstrating the density of organizational overlap, in addition to maintaining their previous positions on the ExpoLink executive board, Abdel Latif would also assume the position of Deputy Executive Director at the IMC (Marello et al 2009,

[85] Under the IMC's reconfiguration, the IMC board would now be comprised of public representatives from the Ministry of Industry and Trade and GAFI, while private sector representatives would be those from the FEI, Export Councils and select businessmen (Adly 2013, 108).
[86] We may recall from the previous chapter ExpoLink's $32.7 million in grants from USAID and its unimpressive performance regarding the integration of smaller firms into their provision of assistance.
[87] Source: documents presented to the court by then Egyptian Attorney General, Abdel Maguid Mahmoud, in the case raised against Rashid, Abouleish and Nadim for the alleged misuse of funds from ExpoLink and IMC. The documents were later published by various Egyptian newspapers, including *Al Arabay News*, in October 2015.

36); and Nadim would join the IMC Managing Council before trading places with Mr. Abouleish to become IMC Executive Director in 2006.

Inside the Diera Mughlaqa (Closed Circle): Adham Nadim

Mr. Nadim represented the 'private sector' in his capacity as Chairman of his family furniture company, Nadim Industries.[88] And like the top members party to the Public Private Partnerships introduced in earlier sections, he can be found deeply integrated into the business-state assemblage under examination. Mr. Nadim's executive-level participation in the web of networks began in 1999, when he joined the board of ExpoLink (Kamel 2008). After ExpoLink became an IMC subsidiary in 2005, Nadim would maintain his position as ExpoLink Treasurer alongside his new role as IMC Executive Director in 2006.

Earlier in 2004, Minister Rashid had also appointed Mr. Nadim (alongside Abouleish) to his panel of experts commissioned to design Egypt's Industrial Development Strategy (funded, we may remember, by the IMC). Mr. Zorba, wearing the hat of President of BusinessMed, would later select Nadim as his executive assistant—a position which Nadim would occupy alongside Mr. Alaa Ezz, who also doubled as Zorba's chief advisor in the latter's capacity as FEI President (European Parliament 2008). In their role as BusinessMed executive assistants to the President (Zorba), Nadim and Ezz would be charged with representing Egypt in European working groups on the

[88] At a superficial level, the story of Nadim begins much like that of Mahmoud (micro-sized furniture producer of Chapter 2). An important difference, however, was their respective stocks of capital. In 1978, Nadim's father opened a small furniture workshop with four artisans, after returning from the US, where he had been studying as a graduate student (Kamel 2008). For his part, Adham Nadim would later study at the American University in Cairo, where he was a contemporary of Gamal Mubarak—whose executive office he would later furnish in 1998 (Nadim Industries 2016).

future of SME financing (Ayadi 2010). The density of Nadim's additional linkages to the core PPPs of the reform project will become evident throughout the sections that follow.

Tracing the Economic Capital: IMC-ExpoLink

The individuals within this convoluted web of social capital, in turn, formed agreements dictating how economic capital would flow. Under the new partnership, the IMC allocated approximately €36 million (LE 250 million) annually through ExpoLink to support the organization of Egyptian participation in international exhibitions. Part of this money was sourced from the original IMC endowment, but the majority (€26 million, or LE 185 million) came from the publicly financed Export Development Fund—which brings us to the next node in our PPP assemblage.[89]

* * *

4. Weaving the Web: The Export Development Fund (EDF)

The Export Promotion Law 155/2002 established the Export Development Fund (EDF) with an independent budget of $40 million to finance incentives for exporters.[90] Alongside creation of the Fund, the new legislation also reorganized the command structure for administering Egypt's imports and exports, significantly streamlining bureaucratic procedures concerning trade.[91] Whereas before the responsibility for exports fell under a range of government bodies, Law 155/2002 centralized the leadership

[89] A significant portion of this money would also be reserved for board member honorariums, as will be discussed in greater depth below. This is according to documents that were part of the case presented by then Egyptian Attorney General, Abdel Maguid Mahmoud, and later published by *Al Arabya News*. The case presented includes minutes from IMC and EDF board meetings—the latter describing the transfer of funds from the EDF through the IMC for support of ExpoLink activities. EDF minutes include those from February 2008, March 2008, Marcy 2010 and July 2010 (Mahmoud 2015).

[90] The Fund was sourced from various government revenues. For a complete list see: Adly 2013, 101.

[91] Following recurring trends, this streamlined bureaucracy was not afforded to everyone. Nearly all of my medium-sized business contacts complained of difficulties with the bureaucracy of their attempts to import and/or export. As did my small business contacts regarding their imports (not effected by the export bureaucracy as they had no export capabilities).

structure. The Minister of Foreign Trade became the chief authority for issuing rules regarding export promotion,[92] and a 'Central Unit' was created, bringing together select representatives from the government bodies responsible for monitoring exports and imports: the Customs Authority and the General Export and Import Control Organization (GEICO) (MOTI 2002). The Central Unit would be housed at the Ministry of Finance, and jointly supervised by the Minister of Foreign Trade and the Minister of Finance.

Behind the scenes of these institutional roots, we find a web of individuals and organizations introduced in the previous chapter. Along with trade fairs and marketing, one of ExpoLink's central missions was to 'institutionalize policy advocacy' (Wellons et al 2005, 14). A laudatory point in the final USAID evaluation states: 'As part of its policy advocacy efforts, EEA [ExpoLink] heavily advocated and eventually succeeded in . . . issuance of the new export law that offered incentives for exporters and facilitated the export process' (Wellons et al 2005, 15).[93]

However, despite the USAID evaluators' praise for ExpoLink's successful lobbying to advance the law, ExpoLink leaders expressed less enthusiasm. The final version of the Export Promotion Law passed by the People's Assembly in 2002 differed considerably from the initial drafts proposed by Zorba and his colleagues (Nasr 2002). As Mr. Zorba (wearing his hat as ExpoLink Chairman) told the English-language newspaper

[92] The post was called Minister of Foreign Trade at the time, and renamed Minister of Trade and Industry with the inauguration of Rashid (2004).

[93] The USAID evaluation, which attributed the new pro-export law to the effective 'policy advocacy' of ExpoLink's top members, while not entirely incorrect, failed to acknowledge that the same individuals who served as ExpoLink leaders were also 'policy advocates' through a number of different channels. As a brief reminder of one top mediator: at the time the law was introduced, ExpoLink Chairman, Zorba, was also President of the Egypt-US Business Council, board member of the FEI, Vice Chairman of the ECES—all of which were USAID funded to promote market liberalizing 'policy advocacy.' Zorba was also an executive board member of AmCham (where Taher Helmy was President), which had a similar 'policy advocacy' role (The pair also worked in close collaboration on the ECES as Vice Chairman and Chairman respectively).

Al-Ahram Weekly: 'After months of discussions, we came up with a final draft that was later submitted to the Ministry of Foreign Trade. We were led to believe there was a leaning towards adopting the main issues of the draft in the proposed law' (Nasr 2002).

However, a number of demands from the initial draft failed to appear in the final law. Chief amongst them, as Zorba explained, was the designation of exports to be a tax-free activity. While investors operating in the economic free zones established under the 1997 Investment Guarantees and Incentives Law were offered full tax exemptions and/or five to ten year tax holidays on exports (such as Khamis and Arafa), other exporters (including Zorba) were not. Echoing his partner's displeasure, Mr. Kassem added: 'Exporters in the same country should enjoy equal treatment' (*ibid*). Other members of the business elite expressed skepticism with regard to the actual impact the new Fund would have due to the 'difference in vision' that existed between the Ministry of Finance and the Ministry of Foreign Trade—the latter aiming to provide incentives to exporters, while the former was set on 'seeking more resources' (*ibid*).[94]

Perhaps due to this 'difference in vision' between the two supervisory bodies of the new Fund, export subsidies were not disbursed in the first few years of the EDF's creation, and little money flowed to the businessmen who lobbied for the law.[95] However, with the July 2004 cabinet reshuffle, the former Minister of Finance would be replaced by his more generous counterpart at the Ministry of Foreign Trade, Youssef Boutros Ghali (who had been keen on the provision of export assistance). Meanwhile, the

[94] At an ECES seminar shortly following the issuance of the 2002 Export Law, businessman MP Abdel-Nour complained: 'The law that has been passed is completely different from the draft law that was discussed and submitted by the businessmen's associations. Egypt's business community is deeply disappointed' (Nasr 2002).

[95] Following a WTO Trade Policy Review, during a Q&A by WTO members, the US delegation asked what the EDF was used for if not subsidizing exports. The Egyptian delegation replied that the Fund was used for assisting firms in marketing promotion, establishing training centers, financing market research centers, etc. (WTO 2005, 63).

Ministry of Foreign Trade would become the Ministry of Industry and Trade—headed as we know, by Mr. Rashid.

The inauguration of Rashid and Ghali brought the visions of the two Ministries into greater alignment, both men working in close collaboration on Nazif's 'Economic Group.'[96] In the new era of Public Private Partnerships, the distortion of legal advice offered by the former ExpoLink executive board would be largely remedied. One important partner in the PPP assemblage that would assist with the institutionalization of these 'pro-business' policies was the Federation of Egyptian Industries (FEI)—which, following the 'infiltration' by businessmen in the 90s (Chapter 4), introduced a new cast of leaders in the 2000s.

* * *

5. Weaving the Web: The Federation of Egyptian Industries (FEI)

Upon ascension to the position of Minister of Industry and Trade in 2004, Rashid appointed Zorba (former ExpoLink Chairman) as FEI President. Zorba, in turn, appointed Kassem (former ExpoLink Vice Chairman) as Chairman of the FEI's Textile Chamber (El-Fiqi 2006) and Vice Chairman of the FEI's Committee on International Affairs; Nadim (ExpoLink Treasurer), as Chairman of the FEI's Committee on International Affairs (with Kassem as his Vice Chairman) and Vice Chairman of FEI's Industrial Law Committee ("Monsieur Adham Nadim" 2009). Integrating the more recent IMC connections, Abouleish (IMC Executive Director) would be appointed board member of the FEI's Chamber of Food Industries in 2005; and Chairman of the FEI's Industrial Law

[96] For more on the 'Economic Group' see: Soliman 2011, 146.

Committee in 2008 (with Nadim as his Vice Chairman) (Abouleish 2010).[97] And continuing the organizational weave, these four individuals would also be appointed to the FEI board of directors, which along with Export Council leaders (discussed below), served as the 'private sector' representatives on the board of the IMC.[98]

Meanwhile, the FEI headquarters, now under the command of Zorba and his new Rashid-appointed board of directors, would also be integrated in to the IMC rent stream. As the evaluator of the USAID's FEI privatization project explained in his 1999 assessment: 'The new USAID-funded FEI building, a source of pride and affection for the US…is expected to generate substantial increased revenues from office space and other facility rentals' (Sines 1999, ix). The IMC, occupying a floor in the FEI headquarters, would also send a portion of its well-endowed budget (courtesy of EU and Egyptian public funds) to the new FEI executive to rent the space. And with the inauguration of the Rashid era of PPPs, ExpoLink (now integrated under the IMC) would also take office space at the FEI headquarters.

With the help of their PPP collaborators, Nazif's Economic Group ushered in a spate of legislation that had long been lobbied for by the former ExpoLink board members (Zorba, Kassem, Nadim), but ultimately thwarted by discordant agendas within top cabinet positions. Two of the earliest and most significant examples of these institutional developments were Customs Law 95/2005 and the Income Tax Law 91/2005. The former offered reimbursements for import duties paid by producers on raw

[97] Again, as Chairman of FEI Food Chamber Zorba chose Tarek Tawfik, and Rashid appointed Tawfik Chairman of the Food Export Council (El Baradei et al 2009). Mr. Tawfik was managing director of a subsidiary of Mr. Al Alfi's Americana Group.

[98] As part of the IMC's public-private alliance, the FEI created a special committee designated to liaise with the Center, which would convene additional 'liaison committees' within the FEI's sector specific chambers (Adly 2013, 108). These committees within the FEI chambers would serve as the intermediaries to accessing IMC assistance.

materials intended for exports—a policy most significant for the furniture (Nadim) and garment sectors (Zorba, Kassem, Arafa), which imported the majority of their inputs. [99]

Meanwhile, the Income Tax Law 91/2005 brought a range of favorable developments for the team of business elites, most notably: cutting corporate taxes from 42 to 20 percent; introducing tax exemptions for any revenues from stocks and returns on bonds or investment funds listed on the Egyptian stock exchange (GAFI 2005), and allowing firms to assess and report their own tax payments, with audits occurring only on a 'sample' basis (Embassy Cairo 2005).

In an interview with the chief advisor to Mr. Zorba (wearing his hat as FEI Chairman), Mr. Alaa Ezz,[100] explained how the new law came about:[101]

> Technically, the government has to run new laws and regulations by the Federation of Industries [FEI] before they can enact them. And sometimes we save them the trouble and just use the Ministry's letterhead, write the law, and hand it over for them to sign it. The tax law in 2005… that was us. We wrote that. The entire document, the wording, everything, that was us (Author interview 31 July 2013).

Whether or not the legislation was written in its entirety by the pens of Mr. Zorba and Mr. Ezz, they celebrated its introduction. Zorba praised the law, telling his US interlocutors it created a new dynamic between government and investors 'based on trust' (Embassy Cairo 2005).

Elite Exceptionalism: Exclusions of Convenience

[99] According to Nadim, this legislation had been repeatedly requested by the business community, and denied by government authorities, throughout the early 2000s (Reed 2005): 'Before Rashid arrived on the scene, "we had been debating this for three or four years with several ministries," says Adham Nadim…"It always came to a dead end"' (Reed 2005). The 'Central Unit' (under the supervision of Rashid and Ghali) was in charge of issuing the customs rebates.

[100] As another example of the overlapping leadership of the FEI-FECC noted in the previous chapter, Ezz doubled as the secretary general of the Federation of Egyptian Chambers of Commerce (FECC).

[101] Mr. Ezz's position as 'chief advisor to the chairman of the FEI' (occupied by Mr. Zorba at the time) is cited in his biography for the Confederation of Egyptian European Business Associations (European Parliament 2008).

As for 'market liberalizing' legislation that might have *threatened* the gains of some of our central actors, we find exclusion of a convenient sort. Alongside the clauses noted above, the 2005 tax law also canceled tax exemptions previously offered by the 1997 Investment Guarantees and Incentives Law (Minister 2005, 3). However, the new tax law would not be applied retroactively to firms already established under the earlier legislation. That is to say, firms already operating under the 1997 law would continue to benefit from the government incentives.

An example of how this fact was used (and abused) by connected business elites can be seen in Mr. Arafa's establishment of Al Arafa for Investment and Consultancies Company. On 18 June 2005 (just a few days after the new tax law took effect), the board of directors of Arafa's Swiss Garments Company met to discuss the division of the firm into two separate Joint Stock Companies (Arafa Holding 2008a, 5). The separation would establish the 'main Company' as Al Arafa for Investment and Consultancies Company, while his Swiss Garments Company would become the 'spin off' firm. The former was to be 'specialized in investing in financial instruments,' while the latter would retain its purpose of manufacturing ready-made garments (Arafa Holding 2008a, 5). The split became official in November 2005, when it was approved by Egypt's central body for governing free zones, the General Authority for Investments and Free Zones (GAFI).[102]

Despite the fact that the creation of Arafa's new enterprise arose after the 2005 Tax law came into effect, GAFI approved the establishment of Al Arafa for Investment

[102] Key 'representatives embedded in' GAFI also appeared on the IMC's list of central Public Private Partnerships. While most of the PPP web examined in this chapter revolved around the Ministry of Industry and Trade—with appointments made by Minister Rashid to the various quasi-governmental organizations (IMC, EEPC, Export Councils)—GAFI sat under the auspices of Minister of Investment, Mahmoud Mohieldin, who we may recall served alongside Rashid on Nazif's 'Economic Team.' Minister Mohieldin, like Minister Rashid, would also appoint a close personal friend and business associate to the position of GAFI Chairman: Ziad Bahaa el Din (Abdel Latif and Schmitz 2009, 24), who had played a major role in writing many of the commercial laws emerging from the ERSAP era (Stone 2007).

and Consultancies Company 'according to the Investment Incentives and Guarantees Law 8/1997, operating under the Free Zone System' (Arafa Holding 2008a, 5). This is problematic on a number of fronts. First, as noted above, the 2005 Tax Law canceled tax exemptions previously offered by the 1997 Investment Guarantees Law (Minister 2005, 3). However, because Arafa's financial consultancy firm arose out of a demerger, it was not considered 'new,' but rather an arm of a restructured pre-existing company. As a result, Arafa's investment and consultancy enterprise was allowed to retain the privileges initially granted to his RMG manufacturing company under the 'free zone' scheme. As described in Arafa Holding's financial statements, this meant 'the Company and the company's profits are not subject to tax laws and duties applied in Egypt' (Arafa Holding 2008a, 34).

In addition to the dubious timing of the firm's establishment, the stated purpose of the firm also raises questions regarding its eligibility for free zone inclusion under the 1997 law. Al Arafa for Investment and Consultancies Company was established with the expressed purposed of: 'providing financial and management consultancy; investing in local and foreign companies; participating in restructuring activities as well as providing technical and management support' (Arafa Holding 2007, 5). As stipulated by the 1997 Investments Law, only companies operating in certain activities were to be granted tax exemptions. This included a fairly long-list of sectors ostensibly contributing to the general 'interest of the country,' such as industry and mining, land reclamation, and infrastructure operations—a list from which consultancy and investment are noticeably absent.[103]

[103] For a full list of tax exempted activities see Article 1 of the General Provisions of Law 8/1997 (4).

All of this begs the question: Why would GAFI approve the establishment of Arafa's consultancy company under the Free Zones scheme? Tracing the capital involved offers useful hints. First, as one of the conditions for operating in free zones under the1997 Investment Guarantees Law, GAFI would receive one percent of the participating companies' profits. In FY2010, for example, this meant Arafa Holding paid $565,849 in GAFI fees (Auditors' Report FY2010). Through these payments GAFI was able to secure financial autonomy, fully financed by free zones receipts (Stone 2007, 4). Alongside the economic capital offered, GAFI's approval may have been influenced by Arafa's broader set of capital as well. Arafa sat on GAFI's Board of Trustees, newly created under the Businessmen Cabinet to serve as an 'advisory council' of investors.[104]

Arafa's convenient exceptionalism in the case of his new consultancy company can also be seen in additional industrial policies issued during the Businessmen era of Public Private Partnerships. For instance, despite two rounds of tariff cuts on various textile and apparel products (first in December 2004, then 2007)—thus exposing Egyptian producers to greater international competition—two notable products escaped the reduction. Suits and carpets maintained their 30 percent tariff (Ministry of Finance 2007, 206; *ibid* 224): a lucrative exception for Arafa and Khamis who, respectively, stood

[104] Alongside Egypt's Businessmen Cabinet, a new law (Law 14/2004) expanded GAFI's mandate considerably, designating it as the central body for handling all investment concerns. This granted GAFI sole authority over registering new companies, issuing permits, and awarding licenses for tax and customs exemptions. Complementing the expanded mandate, Presidential Decree (316/2004) reorganized the body's leadership structure. The Decree increased GAFI's board of directors to eleven members, most of whom hailed from the 'private sector;' And established a new board of trustees, designated as an 'investment advisory council' to offer policy advice and suggestions for legal changes that would lead to 'investment promotion' (Stone 2006, 7). This new board was also dominated by 'private sector' representatives, comprised of a number of prominent businessmen already introduced, amongst them: Mr. Abouleish (Abouleish 2010) and Mr. Arafa (Arafa Bio).

as the largest suit and carpet producers in Egypt.[105]

Redefining Legislation: The Export Development Fund

In addition to ministerial decrees offering *de facto* amendments to the 'missing' clauses of the 2002 Export Law (through the 2005 Tax and Customs Laws), the Export Development Fund would also undergo renovation. The streamlined Central Unit—established by the 2002 Law to monitor imports/exports and housed within the (formerly non-compliant) Ministry of Finance—now came under the direct supervision of Rashid and Ghali. Under the pair's guidance, the Central Unit would take charge of issuing rebates offered by the 2005 Customs Law, alongside its original task of disbursing rebates offered by the EDF ("GAFI" 2015).

At the time the two ministers assumed office, executive regulations for the Export Promotion Law 155/2002 had, conveniently, yet to be issued (WTO 2005, 43). Moreover, there remained early ambiguities with regard to how the law would be interpreted, including how to spend the Fund's budget. During Rashid's first year in office (July 2004-July 2005), Fund reserves flowed with relative modesty in the form of subsidies for marketing, trade fairs and shipping costs.[106] However, by late 2005—with Rashid's quasi-governmental partners now firmly in place—the Fund's remit expanded considerably, including most significantly, the initiation of direct export subsidies.

In order to accommodate the new service, over the course of Rashid's tenure, the Fund's budget increased from its original $40 million in 2002 to around $730 million (LE

[105] Khamis' Oriental Weavers commanded over 90 percent of Egypt's carpet market (Oriental Weavers 2009, 22).

[106] According to Egyptian authorities interviewed during the WTO Trade Policy Review, up until that point (June 2005) the Fund had not been used for direct subsidies for exports, but instead for supporting firms with activities such as training, marketing promotion, and financing market research (WTO 2005, 63). Additionally, as of April 2005, executive regulations for the Export Promotion Law 155/2002 had yet to be issued, meaning there were still no rules in place for governing fund usage (WTO 2005, 43).

4 billion) by 2009 (Embassy Cairo 2009d). This money would, in turn, be allocated through the web of PPPs, namely: (1) the IMC/ExpoLink and (2) the Egyptian Export Promotion Center (EEPC)/Export Councils.

* * *

6. Weaving the Web: Export Councils and the Egyptian Export Promotion Center (EEPC)

Alongside ExpoLink and the FEI, the IMC also cited 'representatives embedded in' Export Councils as central agents of their Public Private Partnership project (IMC 2009). As part of the 2004 institutional reconfigurations, Commodity Councils, which had previously been governed by the Minister of Internal Trade, were converted into Export Councils and brought under the auspices of the newly appointed Minister Rashid (Adly 2013, 93). Ministerial decree 543/2005, which reconfigured the Councils, changed little with regard to their official mandate—originally articulated in 1997 and establishing them as consultative bodies of producers—save for an added emphasis on their participation in export promotion.[107]

In practical terms, however, the Export Council boards, handpicked by Rashid, were to take on an increased policy-advisory role, guiding the export strategies for the new Minister of Industry and Trade (Rasromani 2006b). And within these Councils, we see yet another example both of how networks proliferate, as well as how they were formalized in the shape of 'quasi-governmental' bodies. Abouleish was appointed Coordinator of the Export Councils across industries (Abouleish 2010);[108] and at the sector-specific level, Nadim became Furniture Export Council Chairman, while the

[107] For more on the original Commodity Councils established in 1997 see: Adly 2013, 93.
[108] Abouleish was also appointed board member of the Export Council of Medicaments (ECM).

Ready-Made Garment Export Council (RMGEC) board bore a striking resemblance to the founding leadership of ExpoLink. On it, we find Zorba's son, Waleed ("EUSBC Members" 2015), and—after disagreements between Minister Rashid and his original choice for RMGEC Chairman[109] —Mr. Arafa would assume the top post (2008-2011), succeeded by Mr. Kassem (2011-present).[110]

Also part of the organizational overhaul, the Egyptian Export Promotion Center (EEPC), originally a government organization established in the 1980s, was transformed into the 'administrative arm' of the reconfigured Export Councils (Rasromani 2006b). The EEPC's new mandate included assisting the Export Councils in creating their development plans and coordinating with export service providers, namely the IMC and ExpoLink (*ibid*).[111] 'Today, this center is not a government department,' Minister Rashid told the English-language newspaper, *Daily News Egypt* (*ibid*). With the 2006 renovation, the Center would instead be added to the ambiguous list of 'quasi-governmental' bodies. Although the government remained the sole financier of the Export Center, the governing structure underwent renovation, now headed by private sector representatives—included amongst them: Zorba, Abouleish, and Nadim—alongside select government officials (Prime Minister Decree 799/2005).[112]

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[109] Magdi Tolba was appointed Chair of the RMGEC in 2005 ("EUSBC Members: Magdi Tolba" 2015) —a position from which he would resign in 2008. In a meeting with the US embassy economic officer, Magdi explained that he had left his post as Chairman of the RMGEC after becoming frustrated with Rashid, who 'does not understand the problems of business here.' Mr. Tolba also opposed the export subsidy program, which he complained was 'forestalling needed reforms in the industry' (Embassy Cairo 2010). Arafa was later appointed in his stead.

[110] We may recall, Kassem served as Vice Chairman to Zorba during the inaugural years of ExpoLink, which was co-founded by Arafa. Kassem also sat alongside Arafa, Zorba and Rashid on the board of the ECES.

[111] The Industrial Development Strategy envisioned the Egyptian Export Promotion Center (EEPC) to become the 'central agency to market/promote Egypt's manufactured exports in international markets, acting as a liaison between domestic exporters and international importers' (MOTI 2006, 35).

[112] Mr. Abdel Latif—ExpoLink/IMC Deputy Director and signatory to the ExpoLink/IMC partnership—also sat on the board.

Under the guidance of the Export Council boards and EECP members, the EDF budget gradually increased over the initial years, reaching around $350 million (LE 2 billion) by 2008 (Embassy Cairo 2009a), before more than doubling to $730 million (LE 4 billion) in 2009 as part of the government's post-financial crisis 'stimulus package' (Embassy Cairo 2009c). Along with the budget expansion, the EDF increased its offer of an eight to ten percent subsidy on total export value by 12-15 percent for the first six months of 2009, and provided additional subsidies for exporters' shipping and marketing (Embassy Cairo 2009e). The budget would continue to increase, reaching $780 million (LE 4.6 billion) by early 2011 ("2011 Investment Climate Statement: Egypt" 2011).

Within the web of human connections constituting the newly reconfigured export programs, the importance of tracing financial transactions between organizations also returns to the fore. These individuals comprising the Export Council and EEPC boards served as gatekeepers for accessing: (1) the IMC-funded ExpoLink services to support participation in international trade exhibitions and marketing assistance; as well as (2) rebates from the Export Development Fund.[113]

Tracing the Economic Capital: Export Support via the EDF-IMC-EECP-Export Councils

As previously mentioned, a significant portion of the money funneled through the IMC to ExpoLink beginning 2005 under the new partnership between Nadim and Abouleish flowed from the EDF. And along with this shift bringing ExpoLink under the auspices of the IMC also came the loosening of restrictions regarding the maximum benefits allowed for individual firms. Original USAID ExpoLink rules stipulated that

[113] For details on procedures for accessing these funds through the Export Councils, see: an IMC report on the Food Export Council (Pinard et al 2006, 39); the Engineering Export Council website ("Membership Fees And Benefits" 2015); and the Furniture Export Council website ("Egyptian Furniture Export Council" 2014).

after reaching a threshold of $120,000 in subsidies ($70,000 in technical assistance and $50,000 in exhibition participation), members were no longer eligible for financial support (Wellons et al 2005, 18). The IMC instead capped limits for its assistance at the significantly higher rate of €500,000 for 'business development services' (including export support), in addition to €500,000 for research and development, and an 'unlimited amount' of vocational training (CEEBA 2010, 99).

The reimagination of ExpoLink under IMC guidance also opened new pathways for greater elite resource capture. While under the early USAID grant (1997-2005), ExpoLink was considered a 'member-based organization'—with resource allocation calculated based on how much an individual member received (Wellons et al 2005, 18)—the IMC defined itself as a 'business development center,' and conceived of recipients as firms, rather than firm owners. This allowed large holding groups comprised of smaller subsidiary companies (such as those owned by Abouleish, Arafa and Khamis) to increase their access to the pool of funds even further as each subsidiary could apply for IMC assistance (IMC 2009).

Tracing the Economic Capital: Export Subsidies via EDF-EECP-Export Councils

Alongside the flow of EDF funds channeled first through the IMC, then to ExpoLink for marketing and international trade fair participation,[114] the new system of export subsidies initiated under Rashid would also send the Fund's endowment through Export Councils (with the EECP approval) without the IMC/ExpoLink intermediary. As previously noted, in order to apply for export reimbursements from the EDF, producers were required to register through their respective sector-specific Export Councils—

[114] As noted, firms would access these funds by applying through their respective Export Councils in coordination with the EECP.

housed under the EEPC.[115] The streamlined Central Unit[116] overseen by Ministers Rashid and Ghali, would then carry out the necessary bureaucratic procedures for issuing the export rebate (WTO 2005, 43).

* * *

7. Re-Examining ExpoLink and Export Councils

(1) ExpoLink

Contrasting the Egyptian Exporters' Association (ExpoLink) to Export Councils, Adly (2013) notes: 'The Egyptian Exporters' Association [ExpoLink] has never been given a corporatist representative status for Egyptian Exporters: it remains more of a private service centre than an association. . .' (95). He adds that: 'the mode of representation through the Exporting Councils has remained confined to big exporters chosen by the Ministry of Industry,' while ExpoLink 'has not been given any delegated power from the state' (*ibid*).

However, Adly's analysis misses the fact that ExpoLink executive board members (1997-2005) were the same individuals (Zorba, Arafa, Kassem, Nadim) who would go on to lead the Export Councils of their respective sectors (2005-2011). Meanwhile, the reimagined ExpoLink would come under the auspices of the IMC in 2005 (led by Abouleish and Nadim), from where it would funnel rent streams through the Export Councils (led by Abouleish, Nadim, Zorba, Arafa and Kassem).

[115] As described by a Food Export Strategy Study conducted by the IMC: 'Exporters apply with their export invoices for this export support to the FOOD EXPORT COUNCIL (FEC) that examines and verifies the claim and then forward to MOFTI [Ministry of Trade and Industry] for issuing rebate cheques' (Pinard et al 2006, 43).

[116] We may recall, the Central Unit was established by the 2002 Export Promotion Law and brought together select representatives from the government bodies responsible for monitoring exports and imports (MOTI 2002). The Central Unit would be housed at the Ministry of Finance, and jointly supervised by the Minister of Industry and Trade and the Minister of Finance.

Adly's (2013) evaluation fails to capture the true nature of these organizations and their consequences during the Rashid era for two reasons: (1) he is examining the vestiges of these partnerships, following their post-Revolution disruption, and (2) in the case of ExpoLink, he is examining the quasi-governmental bureaucracies created by the ExpoLink executives in order to provide the requisite *qisas el nigaH*, not the original executive board (Zorba, Arafa, Kassem, Nadim), which had direct control over the rent streams of first USAID (1997-2005), then EU (2005-2011).

(2) Export Councils

As for Adly's evaluation of the Export Councils, he notes:

> [T]he consultative role of the Councils has not been well-institutionalized through clear channels of evaluation and monitoring or policy proposal, turning the study-making role of the Councils into more of a think-tank than a representative body or a private partner in plan-setting and development (Adly 2013, 94).

However, here too the temporal element reasserts its importance. During Rashid's tenure, this absence of 'clear channels of evaluation' did not exclude certain Council heads from becoming influential 'private partner[s] in plan setting.' Instead, the personalistic nature of the leadership structure (with the chairmen of the Councils appointed by the Minister of Industry and Trade) meant that the select Council leaders were granted considerable influence. As a result, the RMG, Furniture and Food Councils, stacked with central actors of the new strategy for 'industrial development,' were offered privileged access to policy making participation.[117] And, under the PPP system for export subsidy distribution, these

[117] While not examined in this study, the food industry was also a central sector to the new Minister of Industry and Trade's PPP organizations and initiatives. For example, Tarek Tawfik—managing director of a subsidiary of Mr. Al Alfi's Americana Group—was appointed Chairman of FEI Food Chamber and Chairman of the Food Export Council (El Baradei et al 2009). We may recall Mr. Alfi from Chapter 1 for his close connections to the Mubaraks, serving as Vice Chairman of Gamal Mubarak's Future Generation Foundation as well as of the SFD. Alfi and Zorba also sat alongside each other on the board of EK Holding, a leading private equity firm, where Alfi served as CEO (EK Holding 2007).

select Council leaders and their fellow inhabitants within the *diera mughlaqa* (closed circle) enjoyed commensurate rewards.

Adly (2013) suggests that the export promotion initiatives of the Rashid era were fairly unimpressive, noting: 'the relative weight of export subsidies appears rather meager in comparison with total exports' (102). He points to the fact that only 1.86 percent of total exports were subsidized between 2001-2007, and compares that to Turkey in the 1980s, which offered subsidies amounting to 25-30 percent of total exports (Adly 2013,102). However, keeping in step with recurring themes, the macro-data fails to offer insight into how these subsidies, while small on the aggregated scale, offered considerable benefits to some.[118] In the new Fund, we find a similar scenario to that of the IMC, and a common trend within reform era initiatives more generally: legislation offering a small group of individuals discretion over a large amount of public resources. So who were included amongst the top beneficiaries of these funds that were funneled through the web of PPPs?

* * *

8. Reform Winners: Following the Capital

(1) Tracing the Economic Capital: Adham Nadim and Nadim Industries

Mr. Nadim's direct gains from the Rashid era 'business development' support for his furniture enterprise are difficult to trace. While Nadim Industry activities saw considerable expansion over the period during which he served on the IMC leadership—a new technical design team in 2006, housed in a new office building, and a substantial increase of production capacity in 2008 leading to the opening of a new factory in 2009

[118] This data is also distorted because, as noted above, government authorities did not begin issuing export rebates until late 2005 (WTO 2005). Before then, financial support for export activity instead took the form of subsidies for shipping costs, promotional material and trade fair participation.

(Nadim Industries 2016)—it is difficult to tell how much of this was supported by IMC assistance, and how much Nadim received from the EDF's export support. Under Egyptian law, joint stock companies (such as those of Abouleish, Arafa and Khamis examined below) are required to report audited financial statements. Nadim Industries is not publically traded, and therefore not subject to requirements of public financial disclosure.

However, Nadim, wearing the hats of both ExpoLink Treasurer and IMC Executive Director, had direct access to the levers controlling how IMC funds would be allocated. For instance, when Nadim assumed the position of IMC Executive Director (2006), he increased the ExpoLink's administrative remuneration considerably. The initial 2005 IMC-ExpoLink partnership stipulated that ExpoLink administrator honorarium should amount to no more than ten percent of total ExpoLink spending, and not exceed €1.5 million (LE 11 million).[119] Under Nadim's tenure, this number was increased to €2.5 million (LE 18.75 million), and in 2007, expanded again to €3 million (LE 22.5 million). These increases occurred at a time when ExpoLink's reported spending on service provision stood at around only €1 million (LE 8 million) in any given year (Mahmoud 2015),[120] suggesting that administrative earnings for the small group of ExpoLink administrators (Nadim amongst them as ExpoLink Treasurer) reached three times that of the cost of assistance provided.[121]

[119] This included money for salaries, transportation, and 'miscellaneous expenses'. Exchange rate calculated at LE 1 EGP=€7.5.
[120] Numbers taken from case raised against Nadim, Abouleish, Rashid, which provides documents from IMC board meetings (Mahmoud 2015).
[121] It is difficult to determine where the remained €32-35.5 million transferred through the IMC to ExpoLink ended up. However, according to the case presented against Abouleish, Nadim and Rashid, it simply accumulated in the ExpoLink bank account (Mahmoud 2015).

As for the wealth of funds offered by the EDF, wearing his hats as Chairman of the Furniture Export Council and board member of the EEPC, Nadim would also play no small role in determining who would receive the furniture sector's export subsidies. Between 2005-2009, the furniture sector experienced the highest percentage of export growth compared to all other sectors, increasing over 180 percent during that period (Loewe 2013, 50; "Furnex Egypt" 2010). The majority of this increase was accounted for by a small group of 15 furniture businessmen (Abdel-Latif and Schmitz 2010); the core of which had been Nadim's hand-picked beneficiaries during his early days at ExpoLink (beginning in 1999).[122] As noted above, these top exporters enjoyed rebates of ten percent against their export invoices (from the EDF via the Furniture Export Council and EEPC)—which, with the industry's 180 percent growth in exports, would have amounted to a substantial amount of support. This was in addition to the subsidies offered by the new 2005 Customs Law (which offered full rebates on tariffs for the furniture exporters' imported raw material).[123] Thus, Nadim had been well-positioned to both access the financial assistance for his own enterprise, as well as funnel rent streams to others of his choosing within the industry.

Finally, alongside access to large pools of economic capital, in his capacity as IMC Executive Director, Mr. Nadim was also offered the opportunity to expand his cosmopolitan capital (economic and social). This included, for example, a cocktail event at the Malta Ambassador's residence in Brussels with the secretary general of the

[122] Specifically, Ahmed Helmy of Meuble El Chark and Ehab Derias of La Roche furniture (two of Egypt's largest furniture companies) received personal invitations from Nadim in the late 1990s to use ExpoLink services, ostensibly because Nadim saw in them 'export potential' (Klinger 2007, 15). They subsequently made their first trips to exhibitions in the US and EU, and hired international consultants to provide advice on penetrating new markets and technical upgrades—taking advantage of the 50 and 85 percent subsidies for the services, respectively, offered by ExpoLink (Klinger 2007, 15).

[123] As previously noted, these rebates would be issued by the Ministry of Industry and Trade's Central Unit overseen by Ministers Rashid and Ghali.

Mediterranean Bank Network (MBN) (*Times of Malta* 2009)—with a mission statement of acting 'as a voice for the Euro-Mediterranean financial services industry' ("Mediterranean Bank Network" 2016)—along with his integration into additional networks of international financing circles (discussed in a section below).

(2) Tracing the Economic Capital: Abouleish and Sekem Holding

As a high-ranking member of numerous Public Private Partnership organizations,[124] Mr. Abouleish was also well-positioned to take advantage of the new tools for Egypt's industrial modernization and export promotion. Additionally, the web of *quasi-governmental* collaboration served the convenient function of allowing Mr. Abouleish access to nominally distinct pools of resources, which were, in fact, derived from the same two sources: the IMC endowment (comprised of EU and Egyptian public funds) and the EDF (sourced from Egyptian government revenues).

As noted in the annual reports of Abouleish's holding company, Sekem Group: 'SEKEM received financial support from the IMC and ExpoLink to increase industrial firms' productivity, employment, know-how, sales and exports' (Sekem 2008, 17; Sekem 2009, 13).[125] With these resources, Sekem's various subsidiaries expanded their operations considerably through projects 'conducted in cooperation with the Industrial Modernization Center' (Sekem 2009, 12). In 2007, the Group reported a spree of investment activity, particularly towards machine upgrading for its various subsidiaries (Sekem 2007). Lotus (est. 2005), specialized in the processing of herbs and spices,

[124] Most notably, we may recall that Abouleish was signatory to the agreement that had endowed ExpoLink with IMC funding, a EEPC board member, the Coordinator of Export Councils across industries, and IMC Executive Director, before becoming Chairman of the IMC Managing Council (amongst, many additional posts). See footnote number 89 for a more complete list of Mr. Abouleish's *quasi-governmental* participation.

[125] ExpoLink is also cited as having supported the participation of SEKEM companies in international and local trade fairs (Sekem 2009, 13).

integrated multiple new machines, storage facilities and production lines to its operations (*ibid* 24); Mizan (est. 2006), a subsidiary dedicated to plant raising, expanded its processing facilities 'for the production of high-grade seedlings' (*ibid* 23); ISIS, specializing in food and herbs, invested in a number of new machines, while 'existing production facilities were upgraded to allow for greater productivity' (*ibid* 25); Hatour, producing fresh fruits and vegetables, expanded its cooling facilities, which contributed to 20 percent sales growth (*ibid* 26); NatureTex, specializing in garment production for export, also 'made most of its investments through the expansion of production and machinery,' which accounted for 'an overall productivity improvement of 26%' (*ibid* 27). Meanwhile, with regard to human capital, NatureTex benefited from three programs to train much-needed skilled workers;[126] and Atos, Sekem's pharmaceutical subsidiary, 'invested heavily into personnel and professional training of its co-workers' (*ibid* 26).[127]

It is unclear from the Sekem reports the extent to which these activities were subsidized by the IMC/ExpoLink/EDF as the notes to the consolidated financial statements are withheld. However, close reading of the Group's reports—taken together with knowledge of the contemporary institutional developments within the IMC—indicates significant financial assistance. First, shortly after assuming the position of IMC Executive Director, Abouleish initiated a grant program entitled the Equipment Purchase Incentive Scheme to 'support IMC eligible enterprises purchasing equipment and machinery for modernizing their production facility' (MOTI 2006, 26). According to the

[126] The shortage of skilled workers is bemoaned by nearly all in the Egyptian garment industry. Access to resources for training new workers (e.g. paid external consultants) is thus highly valued in the sector.
[127] While the numbers regarding finances received are not provided, limits on IMC disbursements were set quite high under Abouleish's tenure as Executive Director—as previously mentioned, this included up to €500,000 for 'business development services,' in addition to €500,000 for R&D, and an 'unlimited amount' of vocational training (CEEBA 2010, 99).

rules set during Mr. Abouleish's tenure as head of the IMC, the scheme offered 80 percent subsidies on participating firms' 'modernization' costs, or technology upgrades (Loewe 2013, 36). This was amplified in early 2007 when the IMC signed agreements with Siemens, the German engineering company, to upgrade machines in select Egyptian factories, including those producing pharmaceuticals and textiles (Namatallah 2007)—sectors constituting Abouleish's central activities.[128]

Second, with regard to the invaluable employee training offered to NatureTex and Atos, we may recall that as stipulated in the new IMC regulations, firms were allowed 'an unlimited amount' of assistance for vocational training (CEEBA 2010, 99). Abouleish also sat on the board of the Industrial Training Center[129]—the body designated by Egypt's Industrial Development Strategy (written in part by Abouleish) to be the primary vehicle for 'upgrading the skills of Egyptian workers' (MOTI 2006, 13). Third, an additional rule set during Mr. Abouleish's time as head of the IMC stipulated that former IMC Executive Directors must wait a nine month 'grace period' before accessing IMC assistance (Sekem 2011, 4). Having left the post in December 2006, Abouleish would have been eligible (according to his stipulation) to access IMC rebates on his various upgrades before the end of the 2007 fiscal year.[130]

A final clue suggesting the extent of IMC assistance can be noted in the considerable increase in assets experienced by Sekem Group during this period. Between

[128] The signing of the agreement took place at an event hosted by the German Arab Chamber of Industry and Commerce (Namatallah 2007), where Abouleish had been an active participant and sat on the board since 2002 (Abouleish 2010).
[129] As the Industrial Development Strategy reads: 'ITC, through public-private partnerships, will ensure the provision of the needed training services through the most competent provider' (MOTI 2006, 14). Incidentally, Mohammed Elsewedy—whom we may recall as the billionaire businessman of the monopoly electric cables family with close ties to Mubarak, and the new Chairman of the FEI in 2013 (taking over for Mr. Zorba)—acted as head of the ITC during the Rashid era (*Daily News Egypt* 2008).
[130] Sekem's fiscal years are 31 December to 31 December.

2006 and 2007, Sekem Group's reported assets in the form of property, plant and equipment increased by more than $11 million (LE 63 million), while reported spending for property, plant and equipment during that same period stood at around $5.7 million (LE 32 million) (Sekem 2007, 76).[131]

What is more, in addition to Abouleish's extra earnings enhanced by rebates for machinery purchases and vocational training schemes through the IMC, his subsidiaries also benefitted from the newly instated EDF export rebates. In 2008-2011, Sekem reported around $3 million (LE 16.6 million) in rebates, allocated through the Egyptian Export Promotion Center (where we may recall Abouleish sat on the board) at a rate of ten percent against Sekem's export invoices (Sekem 2009; Sekem 2011). This was on top of the assistance from ExpoLink (funded by the IMC/EDF) to participate in both domestic and international trade fairs (Sekem 2008; Sekem 2009).

The net effect of Sekem's prosperous investments contributed to a 65 percent increase in gross profits between 2006 and 2010 (Sekem 2007; Sekem 2011).[132] Perhaps more significantly, Sekem's assets in property, plant and equipment more than doubled over this period from around $28 million (LE 162 million) in 2006 to nearly $69 million (LE 392 million) by 2010; And in terms of net assets, Sekem saw an increase of more than $62 million (LE 356 million) over the four short years of Mr. Abouleish's executive-

[131] Subsequent financial statements issued by Sekem remove the category of money spent on property, plant and equipment; But assets of these items reach nearly LE 383 million by 2010. Later reports indicate a shift in investments from machinery to land reclamation. For example, in FY2008 LE 36 million was spent for 4,000 feddans of land; And in FY2010, of the LE 68.7 million in investments spent, more than half was for land (Sekem 2010). We may recall that Abouleish was also appointed to the inaugural board of the Industrial Development Authority—the newly created body under the auspices of Rahsid's Ministry of Industry and Trade—charged with facilitating land acquisition 'for industrial zones' and overseeing implementation of industrial policy initiatives (MOTI 2014).

[132] Sekem reported gross profits of around LE 63 million ($11 million) for FY2006, reaching just under LE 103 million ($18 million) in FY2010 (Author's calculations from Sekem 2007; Sekem 2008; Sekem 2009; Sekem 2010).

level participation in PPP quasi-governmental organizations of the Businessmen Cabinet era.[133]

(3) Tracing the Economic Capital: Arafa and Arafa Holding

Meanwhile, Mr. Arafa, well-integrated into top level positions of the IMC's Public Private Partners also benefited considerably from the new incentive schemes promoting Egyptian exports and industrial modernization.[134] Arafa Holding began reporting 'technical support subsidies'[135] in FY2006 when the company received $234,260 (Arafa Holding 2007).[136] Over the next six years (FY2007 to FY2012), Mr. Arafa reported additional receipt of technical support subsidies in excess of $3 million (Arafa Holding 2007-2012).[137] Arafa's various subsidiaries received this technical support at a time when, as discussed above, the IMC was the central agency for allocating such assistance—subsidizing 80 percent of 'modernization' costs in Cairo and the surrounding areas, and 90 percent in Upper Egypt (Loewe 2013), where Mr. Arafa had recently begun building new factories. Beginning in 2009, this IMC rebate was increased further to 95 percent of 'modernization costs' for enterprises in Upper Egypt (Loewe 2013, 36).

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[133] Exchange rate calculated at $1=LE 5.7. Naturally, not all of this increase can be attributed to IMC and EDF assistance. However, it is impossible to calculate the ripple effect of this extra support on the Group's overall gains.

[134] We may recall Mr. Arafa as co-founder of ExpoLink (with Zorba) and later appointed RMG Export Council Chairman.

[135] '*da'am fanni'* in the Arabic statements.

[136] FY2006 includes the period 31/3/2006-31/3/2007; Arafa Holding would change its financial year to 31/1- 31/1 beginning 2009.

[137] Curiously, there is a disparity between the numbers reported in the Arabic and the English versions. The numbers provided above are from the Arabic reports. While in FY2010 the English version reports $192,019 (Arafa Holding 2011a), numbers provided for the same period in the Arabic version are $451,713 (Arafa Holding 2011b); In FY2011, the English version records $0 received (Arafa Holding 2012a), while the Arabic shows $505,015 (Arafa Holding 2012b). In FY2012, technical support income disappears from the 'other operating revenue' section of Arafa Holding's financial statement altogether (Arafa Holding 2013a), while in the Arabic version, the total recorded is $1.09 million (Arafa Holding 2013b). The fact that Arafa Holding experienced such an increase in technical support received following the Revolution and the indictment of former IMC leadership raises many questions with regard to the density of Mr. Arafa's high-level networks that permeate both military and civilian spaces, as well as domestic and international.

And yet, Arafa's auditors' reports are ambiguous with regard to the source of the funding. One possible explanation might concern the initial mandate regarding who was to receive IMC assistance. According to the Industrial Development Strategy, IMC subsidies were only intended for those not operating in free zones (MOTI 2006, 31). Mr. Arafa's Swiss Garments Company, located in Tenth of Ramadan Free Zone—exempting him from corporate tax and streamlining cumbersome customs procedures amongst other benefits—should not, therefore, have been eligible. And yet, a former human resources specialist at Arafa's Swiss Garments Company cites in her published CV that some of her tasks included: 'Corresponding with IMC representatives to plan and start the services according to IMC regulations;' and 'Preparing and delivering all the documents to IMC to claim the reimbursements.'[138] Additionally, the IMC[139] does make a brief appearance in Arafa's financial statements in FY2010, when the company's end of year report shows $0 received (Arafa Holding 2011a). This, however, is contradicted by the same year's quarterly statement, which for the three-month period records $102,531 in IMC support (Arafa Holding 2010c).[140]

As for EDF subsidies, Mr. Arafa reported $14.71 million in export rebates between 2005-2008.[141] And although subsequent fiscal year financial statements make no reference to the subsidies, other records suggest that Arafa not only continued to receive the rebates, but did so at an increased rate. The first clue to suggest omission is that while the 'export subsidy' category disappears in the end of year 2009 statement (Arafa 2010a),

[138] She worked with Swiss Garments (December 2007-March 2010). Citation provided upon request.
[139] *Markaz taHdeeth el sinaa'a* in the Arabic statements.
[140] Financial statement covers the period from 1/2/2010-30/4/2010.
[141] Calculated from reported export subsidies in Arafa Group's financial statements from fiscal years 2005-2007 and the first nine months of the 2008 fiscal year—that is, the period 31/3/2005-31/12/2008, totaling three years and nine months.

the mid-year 2009 report records receiving export subsidies during the first six months of the period in question (Arafa Holding 2009b).[142] Second, the Group's FY2009 'Earnings Release' publication notes that the firm actually experienced a gain in operating profit, despite a decrease in product revenue against the backdrop of the global recession, due to 'increased government incentives to export industries' (Arafa Holding 2010b, 2). While Arafa reported a fall in earnings from manufactured garments by nearly $8 million between FY2008 and FY2009, operating profit for the same period showed a gain of $1 million (*ibid*). [143] Quick calculation suggests that the 'increased government incentives to export industries' amounted to approximately $9 million over this one-year span.[144] We may recall that at the time, Mr. Arafa was also serving as Chairman of the RMG Export Council, which determined who could participate in the EDF subsidy scheme and access government-financed export support more broadly.

(4) Tracing the Money: Khamis and Oriental Weavers Group

While not party to the PPPs directly, former FEI Chairman Khamis was represented on the IMC executive board by Mr. Alaa Hashim, Chief Operating Officer of Khamis' MAC Carpet subsidiary (Abouleish et al 2005, 76);[145] and on the Egyptian Export Promotion Center (EEPC) board by Alaa's father, Raed Hashim, then MAC Chairman (Prime

[142] The mid-year report cites $243,002 received in export subsidies for these first six months. Meanwhile, the ambiguous 'other' category under the 'other operating revenue' section shows an increase from $2.49 million to $7.71 million between 2008 and 2009 (Arafa Holding 2010a). That is, for the periods 1/4/2008-31/1/2009 vs. 31/1/2009-31/1/2010.

[143] That is, for the period 31/1/2009-31/1/2010 compared to 31/1/2008-31/1/2009.

[144] Also during this period (we may recall), the rebate rate from the Export Development Fund had been increased by 50 percent as part of the government's financial crisis 'stimulus package;' Additional subsidies for exporters' shipping and marketing costs were also initiated (Embassy Cairo 2009c). This figure of $9 million does roughly correspond to a 50 percent increase over the previous year's export subsidy.

[145] Alaa Hashim was also a founding member of the NDP's Business Council, where he sat on the board alongside Abouleish since 2002; and 'an active member' of the Egyptian Junior Business Association (EJB) (Abouleish et al 2005, 76), where Abouleish was Vice President (2003), then Chairman (2004-2006) (Abouleish 2010).

Minister Decree 799/2005).[146]

Alongside Mr. Arafa (Egypt's largest RMG exporter), Mr. Khamis (Egypt's largest carpet exporter) also secured considerable access to these new rent streams of cosmopolitan capital for export promotion. Also like Arafa, Khamis operated from the Tenth of Ramadan Free Zone, making his companies exempt from taxes, customs and bureaucratic inconveniences;[147] And despite the fact that, as mentioned above, IMC services were not intended for those operating in free zones, the carpet tycoon enjoyed them in plenty.

Although Khamis reports no explicit IMC support, a top-level employee at Oriental Weavers who has worked in close proximity with Mr. Khamis for over a decade, Mr. Ziad,[148] explained how the IMC-ExpoLink reimbursement system worked during this five-year period (2005-2010):

> The government gave money to the companies that had the financial ability [*el qudra el malaya*] to participate in international exhibitions. The government says, ok bravo you're a great man and you have a respectful history [*tareekh musharraf*], so we will give you for each square meter that you rented, say, one dollar—or one Euro, until the maximum amount: €20,000 (Author interview 2 March 2015).

Mr. Ziad explained that Oriental Weavers had a number of subsidiary companies, all of which would receive support from the IMC after they 'proved they participated in a certain conference by providing invoices and photos and other things.'[149] In addition to

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[146] MAC is a significant subsidiary for the Group, accounting for around 25 percent of the Oriental Weavers' total sales—mostly in exports (Oriental Weavers 2009, 26).

[147] We may remember these privileges resulted from the 1997 Incentives Law, which Khamis, using his high-level domestic and cosmopolitan capital, was instrumental in having passed during his tenure as FEI Chairman (Chapter 4).

[148] Name changed for confidentiality.

[149] Although Mr. Ziad repeatedly referred to the subsidy as coming from the government, when I asked him which body in particular it had been offered by, he recalled: 'Well, not the government exactly… It was from something called the IMC. . . It had something to do with the European Union, because I remember very clearly that its logo was the symbol of the EU and next to it the Egyptian flag. So we would apply to

subsidizing the rented space, Mr. Ziad explained that this money could also go towards other costs that might be incurred while the company participated in international exhibitions. He continued:

> If the amount that you paid for the space was something trivial and you spent a lot of money on other things, the government would instead pay for the accommodation and tickets and *pocket money*[150] for two people related to exports. Those people who go represent the company in the exhibition. Or, if you have two people and the company says the pocket money and accommodation won't be too much, then the government can say, ok, we can do something very nice: We'll give you the marketing materials.

However as Mr. Ziad explained, while not an insignificant amount, this funding for Oriental Weavers' trade fair participation paled in comparison to the EDF's export subsidies—disbursed to its beneficiaries at increasing rates during Rashid's tenure.

On top of receiving considerable IMC subsidies for participation in ExpoLink-organized international exhibitions, the carpet king secured tens of millions of dollars in export subsidies from the Export Development Fund. Khamis' Oriental Weavers, which boasted annual sales of approximately $646 million, exported around 60 percent of its products (Oriental Weavers 2009, 36). Under the EDF rebate system, calculated as a percentage of export revenues, this meant Khamis had access to a disproportionate amount of the available government funds—particularly following the 2009 expansion of subsidy rates.

Like Arafa, Khamis saw an increase in operating profit in FY2009 despite a decrease in product revenue. As the company's 2009 annual report states, the gain 'can be mainly attributed to other revenue including export subsidies…as a result of the Egyptian government's efforts to stimulate exports and mitigate the negative effects of

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the IMC and the IMC would send us a check each year in exchange for us attending these exhibitions' (Author Interview, 2 March 2015).

[150] Italics indicate English words used in the middle of Arabic.

the financial crisis' (Oriental Weavers 2009, 13). Indeed, the total package of Khamis' government-financed assistance amounted to approximately $29 million in FY2009, up from $22 million the previous year—accounting for around 41 and 30 percent of Oriental Weavers' pre-tax profits in FY2009 and 2008 respectively (Oriental Weavers 2009, 36).[151] As the 2009 Oriental Weavers' annual report boasts:

> Our accomplishment in the year just ended is even more notable when you consider how the global economic climate has affected our European peers, many of whom were forced into bankruptcy or who had to suspend production or sell machinery to stay afloat (Oriental Weavers 2009, 12).

In effect, the EU was subsidizing, through the IMC, a monopolistic company that would 'outcompete' its European counterparts owing to Khamis' unique blend of domestic and cosmopolitan capital.

* * *

9. Reform Losers: Suffering a Deficiency of Cosmopolitan Capital

(1) Egypt's unconnected entrepreneurs

Not every Egyptian was as fortunate as the individuals discussed above—all of whom were deeply integrated into the executive level of the PPPs administering Egypt's industrial modernization and export promotion support of the 2000s. We may recall the Export Councils served as the most direct gatekeeper for accessing export assistance. The subsequent chapter will offer examination of the RMG Export Council (headed by Arafa, then Kassem), highlighting the various mechanisms of exclusion in place for smaller, unconnected firms. As for the Furniture Council, headed by Mr. Nadim (simultaneously holding the positions of IMC Executive Director, ExpoLink Treasurer, and board

[151] The figures were provided in LE and converted at a rate of $1=LE5.5. This was the total amount reported under 'other revenue,' which includes direct export rebates given against export revenues, as well as rebates on various additional costs that accompany export activity, such as shipping and marketing.

member of the EEPC and Furniture Chamber at the FEI), an insider account[152] offers the following:

> Both the [FEI] Furniture Chamber and the Export Council are dominated by a group of 15 enterprises who have little concern for the rest of the sector. The leaders of this group have close connections to the policy makers and have been able to obtain benefits for themselves and the small group of enterprises that dominate the Chamber and the Council. These benefits include preferential treatment by government bureaucracy and substantial funds to obtain several rounds of technical support services for their factories. These funds came from the IMC. . . at a time when one of the leaders of the furniture industry [Nadim] was chairman of the IMC (Abdel-Latif and Schmitz 2010, 21).

The authors interview 'several furniture manufacturers, an "excluded" key player, two policy makers, staff of the IMC and projects of the EU interacting with the Furniture Council,' all of whom 'confirm the exclusivity of the benefits to the small group of big investors' (*ibid*). They find that 'Benefits available in principle to all through IMC and other institutions are not even known to the small investors' (*ibid*). This assessment corresponds to my own interviews with smaller furniture interlocutors located in various Cairo neighborhoods and industrial zones—individuals possessing capital similar to that of Mahmoud Amaar and Mohammed Karim (the micro and medium-sized furniture makers of Chapter 2).

This *de facto* exclusion also occurred alongside more explicit forms. The IMC's Equipment Purchase Incentive Scheme offers one example of how smaller firms were barred from accessing lucrative benefits readily available to those such as the individuals

[152] Abdel-Latif served as IMC Policy Reform Unit manager, with responsibilities including 'planning, preparation and technical supervision of implementation of activities/budgets' for the EU-sponsored program between April 2003-July 2005. She is also deeply connected to the web of actors under consideration in this study, having collaborated with Mr. Kassem on a number of policy papers for various sources including UNIDO (Abdel-Latif 2006). Earlier in her career (throughout the 1990s), she served as a consultant for the WB, USAID, and UNIDO on a number of ERSAP era programs, including the SFD (Abdel-Latif 2006). She is also a professor of economics at AUC, ERF research fellow, and ECES executive director and director of research. She was appointed chief advisor to the Minister of Industry and Trade following the 25 January Revolution, before being appointed as President Sisi's chief economic advisor ("ECES Team" 2014).

discussed above.[153] The Scheme, originally endowed with LE 30 million (MOTI 2006, 26), was intended to 'Support IMC eligible enterprises purchasing equipment and machinery for modernizing their production facility [sic]' (MOTI 2006, 26). As articulated in the Industrial Development Strategy, [154] ten percent of the equipment cost would be funded by the grant, capped at LE 100,000 'in order to address the needs of the small and medium enterprises representing the core target group of the program' (*ibid*).

However, details of eligibility cast doubt on who the real intended beneficiaries were. In order to qualify for the equipment purchasing scheme, producers were required to: (1) have at least ten full-time employees, (2) provide their employees with social insurance, and (3) have experienced rising sales over the previous three years (Loewe 2013, 36). The likes of Mamoud (Chapter 2) would fail to meet all three of these conditions. Although his furniture workshop once employed 14 workers, during the country's difficult economic times the enterprise dwindled to just him and Abou Mohammed. Meanwhile, we may recall the crumpled sheet of paper amongst Mahmoud's pile of bureaucratic threats from the National Authority for Social Insurance, which demanded LE 7,340 (apx $1,000) as a four-year backlog for Mahmoud's failure to pay monthly payments on employee social insurance, plus interest.

Making IMC access conditional on providing social insurance to employees may perhaps sound appealing to international interlocutors, but those familiar with Egyptian bureaucracy know well the returns of such 'insurance' are less than impressive (recall the meager LE 36 a month received from 'the state' by Mahmoud's father in return for

[153]The Scheme was implemented shortly following Mr. Abouleish's appointment as IMC Executive Director (1 September 2005).
[154] We may recall Abouleish and Nadim were on the 'expert' committee commissioned with writing the IDS, which was and intended to serve as the map for the future of industrialization in Egypt. We may also recall that the writing of the IDS was funded by the IMC.

decades of social security payments). Instead, the condition serves as one more obstacle for struggling enterprises deficient in high-level capital (thus unable to escape the morass of their low-level bureaucratic counterparts), preventing their access to much needed assistance from 'the state.' Given the above impediments, it seems hardly surprising that Mahmoud and those with his shared portfolio of capital might fail to meet the final criterion for accessing the IMC scheme: three consecutive years of rising sales. Meanwhile, medium-sized Mohammed would also be disqualified from the schemes on the grounds of this final stipulation—unable to sustain three years of rising sales due to (in his account) mercurial industrial policies and lack of insider knowledge on changes of tariff regimes.

And yet, inclusion is feigned by a discursive veil offered by the cosmopolitan capital-rich interlocutors of international donors. A 2012 report conducted for USAID points to the IMC as amongst the 'Regional Examples of Best Practice in SME Development.' The organization's merits 'Very strong government support and EU commitment;' and demonstrates 'Huge ambitions for Egypt's industry.' The report continues that after the Center's 2005 integration under the auspices of the government (Minister Rashid) and 'new management' (Abouleish and Nadim), the organization 'is now believed to be much more field-oriented, realistic, and adapted to real needs of the economy' (Clark et al 2012, 39). To explain differential access to export markets, the evaluators instead point to SME owners' 'ignorance' as the dominant cause of their poor export performance (*ibid* 11). Thus we see the IMC and its partner organizations serve as a shroud not only to hide the internecine routes of accessing resources by elite, but also to obscure the fact of exclusion.

(2) The Bureaucrats: Devaluation of Local Capital

As for Mahmoud and Mohammed's 'state' counterparts (lower and mid-level bureaucrats), they were similarly excluded from the *diera mughlaqa* of reform era gains. The concept of Public Private Partnerships (PPPs) offered a convenient tool for explaining the ambiguous new dynamic between official realms of 'business' and 'state' created by a 'private sector' businessman's ascension to an executive-level position in 'the state.' However, 'the state' in the form of the estimated 5.5 million bureaucrats (Kandil 2012) remained very much present in the lower echelons.

The nature (and language) of the first case brought against Abouleish, Nadim and Rashid in the aftermath of the 25 January Revolution offers an example of how this new dynamic played out. As the case begins:

> In 2005, a monopolistic contract was signed under the orders of Minister Rashid Mohammed Rashid between ExpoLink and the IMC by direct authorization without a tender for ExpoLink to assume the duties of organizing the Egyptian participation in international exhibitions despite the fact that this is the specialization of General Organization for International Exhibitions and Fairs [GOIEF], and this is against the law (Mahmoud 2015).[155]

The central charge raised against the trio was the illegal sidelining of the bureaucratic GOIEF—an act which, in effect, stripped the body of its resources and rent streams. Instead, the public and international donor funds were funneled through a parallel, *quasi*-governmental organization (ExpoLink), leaving GOIEF obsolete.

While the Rashid team sidelined the GOIEF altogether, other bureaucratic bodies were instead reconfigured, such as the Egyptian Export Promotion Center (EEPC), where Minister Rashid replaced statist executive boards with a small group of elite businessmen (Zorba, Abouleish, Nadim, and Hashim of Khamis' subsidiary company amongst them)

[155] Translated from Arabic.

who would administer the Export Councils and assist in disbursing the Export Development Fund.[156] Alongside the hand-picked businessmen also sat a handful of state representatives selected to serve as the *intermediaries* (with rubber-stamp functions), who in turn became integrated into the new rent streams. In both types of arrangements (that of ExpoLink's replacement of GOIEF, and the creation of a new executive board within the EEPC) we find in the Rashid-era Public Private Partnerships a clear case of reform winners and losers—alternatively conceived as globalization winners and losers—with jealous bureaucrats confined to the domestic sphere, relegated to the sidelines by private sector actors awash in cosmopolitan capital.

* * *

10. Disguising Resource Capture: Claims of Assistance for Egypt's Struggling Majority

Perhaps unsurprisingly, those at the levers of Export Development Fund financing were not keen on advertising the flow of substantial government support to the country's top business elites. Instead, as with their partners in the web of organizations discussed above, they presented the Fund as a support for Egypt's smaller firms. As US Ambassador Scobey explained in a confidential cable from the Egyptian Embassy to DC:

> [Mohammed Ragui, Director of the EDF] told us that companies earning more than a 10% profit on their exports are ineligible to receive EDF rebates, in order to keep successful companies from accessing a fund intended for exporters with

[156] Additional bureaucratic bodies (not discussed above) previously serving as gatekeepers for Egypt's imports and exports also faced attack under the wave of reforms. The General Export and Import Control Organization (GEICO)—whose participation in regulating Egypt's trade (we may recall) had been streamlined with the creation of the Central Unit in 2002—was marginalized further just a few months after Rashid took the position of Minister; An October 2004 amendment to an earlier ministerial decree cancelled a clause requiring international companies to gain clearance from GEICO inspectors, who were charged with certifying compliance to international standards on labor, health and environmental concerns before the companies could export certain products to Egypt (USTR 2005, 170). With the travel for the GEICO inspectors (to be paid for by the company under assessment) no longer required, a lucrative rent stream of cosmopolitan capital disappeared.

> small profit margins. Companies receiving subsidized energy are also prevented from receiving export rebates, Ragui said (Embassy Cairo 2009d).

However, as the cable continues: 'Despite the GOE's assertions that export subsidies are targeted at companies with low profit margins and low energy consumption, private sector contacts say they receive export subsidies regardless of profit size or use of subsidized energy' (Embassy Cairo 2009d). Ambassador Scobey cites a number of private sector sources who had admitted to receiving subsidies from the EDF irrespective of their export-derived profits. One source added that the Fund did not require documentation of profits in order to claim the rebate. Scobey also cites an executive of Swiss Garments (an Arafa Holding subsidiary)[157] who volunteered that she was allowed to both purchase subsidized energy from the government as well as access rebates from the Fund—a direct contradiction to Ragui's claim (Embassy Cairo 2009d).[158] And with Arafa's annual gross profit typically exceeding $160 million during the period in question (Arafa Holding 2008), it was difficult to argue his Group exhibited the 'low profit margins' of the Fund's ostensible targets.

The US Embassy expressed concern that such assistance might produce market-distorting effects. As seen in Khamis' outperformance of his European competitors following the global financial crisis, the implications of export subsidies, helping firms participate in the global market, transcended boundaries. [159] However, justification for allocating such subsidies was offered by a perverse logic again concealed by the shroud

[157] Which, as noted above, is located in the Tenth of Ramadan Free Zone.
[158] The cable also notes an interesting coalition of internal dissent within parliament with steel-tycoon Ahmed Ezz (who at the time was also Chairman of the NDP's Planning and Budget Committee) and Muslim Brotherhood representative, Mohamed Farid Ismail, both voicing strong opposition to the Fund, 'on the grounds that it is helping wealthy exporters at the expense of the poor' (Embassy Cairo 2009d).
[159] Like Arafa, Khamis hardly fell into the originally intended category of 'small economic actors.' Oriental Weavers commanded net assets of over $474 million (LE 2.6 billion) (Oriental Weavers 2009, 35). Oriental Weavers' net long-term assets would increase to LE 3.4 billion by the end of 2013 (Oriental Weavers 2015).

of Egypt's impoverished majority. In response to US Embassy officials questioning with respect to compliance of Egypt's export subsidy program to WTO rules, Ragui explained that WTO subsidy restrictions did not apply to Egypt because of the country's low per-capita GNP.[160] Ragui's second oft-repeated justification for the funneling of public resources to the country's elite was also encased in a language of national benefit. When Ambassador Scobey flagged Mr. Khamis' participation in the subsidy program in particular as potentially problematic (Embassy Cairo 2009a), Ragui explained that the assistance was important for job creation.

However, as El-Haddad (2012) demonstrates, the policy of export subsidies had distorting effects on the domestic market. The privileging of firms with export activity over those confined to domestic production resulted in the increased closure or downsizing of the latter—with job loss a natural corollary (El-Haddad 2012, 11). The EDF provision of tens of millions of dollars in subsidies to two of Egypt's largest exporters (Khamis and Arafa), may have been expanding employment in their garment and carpet empires, but it was simultaneously exacerbating the destruction of small and medium firms (along with their interfirm linkages)—which were, again, the ostensible targets of the national support program.

* * *

11. Weaving the Web: BusinessMed and MedAlliance

As noted above, the EDF's annual budget (sourced from the state coffers) experienced nearly a twenty-fold increase (from $40 million to $780 million) to support

[160] Ragui directed his US interlocutors to paragraph 10.1 of the Doha Declarations, which states that countries whose per capita GNP does not exceed $1,000 (based on 1990 rates) are exempt from export subsidy restrictions (Embassy Cairo 2009a). [For more information of WTO rules governing subsidies see: WTO 2003.]

the Businessmen Cabinet's PPP projects (2004-2011). The IMC's initial endowment of €353 million—which we may recall was sourced from a combination of Egyptian and European public funds—similarly expanded to accommodate the new business development programs of the Rashid era Industrial Development Strategy. We may recall, under Nadim's tenure as IMC Executive Director (2006-2009), the Center became a 'landing for numerous funds' (Nazif et al 2010, 99), procuring an extra €513 million from various international donors (MEDA Finance 2010, 99). Numerous sources refer to the IMC's 'substantial funds' (Abdel-Latif and Schmitz 2009, 24), leading one USAID evaluation to cite the 'excessive size' of its budget as one of its weaknesses (Clark et al 2012, 39). But how did the IMC attract so much money?

In order to expand their international capital, the PPP team added new organizations to the web—ones that would integrate, more directly, their European partners. Beginning in 2004, Zorba's cosmopolitan capital gained greater currency with his Mediterranean neighbors, formalized through his presidency of the Union of Mediterranean Confederations of Enterprises, or BusinessMed (2004-2011). Using his position as FEI Chairman, Zorba co-founded BusinessMed in 2004 as a 'private sector' networking platform to strengthen economic ties between the 'South Mediterranean' and the EU (BusinessMed 2015).[161] Demonstrating the tendency of networks to replicate and cosmopolitan capital to compound, from his post as BusinessMed President, Zorba would then become President of MedAlliance—established to perform the important function of

[161] BusinessMed was established in 2004 by a group of business association presidents from the member countries, which alongside Egypt included: Algeria, Cyprus, Jordan, Lebanon, Morocco, Palestine, Syria, Tunisia, Italy, Greece, France, Turkey, and Spain. The organization aimed to offer a networking and lobbying platform to strengthen connections between 'South Mediterranean' private sector representatives and those from EU member countries. The ultimate aim was to increase economic integration, and establish a free trade zone in the region (BusinessMed 2015).

bringing together BusinessMed members, as well as other 'private sector' representatives, with European donors promoting 'economic development' (De Saint-Laurent and Noutary 2011).[162]

MedAlliance served as an important vehicle for channeling rent streams of international funds, positioning itself as the: 'legitimate and natural interlocutor for all the policies and initiatives concerning the development of investments and SMEs, and inter-business relations in the Mediterranean' (Invest in Med Report 2011, 17). With the individuals and organizations in place, established by one form of cosmopolitan capital, the cosmopolitan capital of the economic variety now had clear routes through which to flow.

(1) Weaving the Web: Invest in Med (est. 2008) and the Meda Finance Project

In 2008, MedAlliance teamed up with European Union to launch the *Invest in Med* project—financed with €12 million (€9 million from the European Commission and €3 million from MedAlliance members) to support the development of business partnerships within the 'Euro-Mediterranean region' (Invest in Med Final Report 2011). MedAlliance would take charge of managing the initiative, which entailed both proposing and executing projects funded by the new endowment (Invest in Med Final Report 2011, 10). On the Egyptian side, this meant those granted with the authority to design how Egypt's portion of the money would be spent were Mr. Zorba and his BusinessMed executive assistants, Alaa Ezz and Adham Nadim.[163]

[162] The MedAlliance consortium included representatives from: BusinessMed, the ANIMA Investment Network, ASCAME, EuroChambres, GIZ, UNIDO and EPA Euromediterranée.
[163] We may recall that Mr. Ezz served as chief advisor to Zorba in the latter's capacity as FEI President, and both Mr. Ezz and Mr. Nadim served as executive assistants to Zorba as BusinessMed President.

Given the individuals in charge of the *Invest in Med* initiative, how project funding was allocated may come as little surprise. One project, Meda Finance, led by Mr. Ezz, offers a particularly revealing example of the 'support for SMEs' afforded by the initiative.[164] Funded with €71,000, the project took the form of two components: (1) a study offering a 'guide to accessing public financing for SMEs' (Invest in Med Final Report 2011, 87),[165] and (2) a conference bringing together the identified international financiers and Egyptian target beneficiaries, entitled: 'The First Euro-Mediterranean Conference and Exhibition on Donor Funding, Banking and Novel Financial Instruments' (Ezz 2014).

Central to securing funds for Meda Finance, we find a return of many of our key PPP brokers: Mr. Nadim, in his capacity as IMC Executive Director; Mr. Ezz, wearing his hat as Secretary General of CEEBA;[166] and Benedict de Saint-Laurent, European Commission Program Director of *Invest in Med* signed the funding agreement, with Mr. Zorba alongside them, overseeing the signing in his capacity as President of MedAlliance

[164] Ezz led the project wearing his hat as CEEBA secretary general.

[165] Another project in the 'support for SMEs' sector was €125,000 grant to cultivate a 'mentoring platform to support SME owners in their decision-making processes' (60). A photograph of wealthy young Egyptian men on Ain Sokhna beach, passing a peer through a hole in a net during a team-building exercise, is provided as the *success story* image.

[166] The Confederation of Egyptian and European Business Associations (CEEBA) would be an important BusinessMed partner. CEEBA emerged out of a May 2004 agreement between the heads of Egypt's bi-lateral European business associations, namely: the German Arab Chamber of Industry and Commerce, the British Egyptian Business Association, the Egyptian Italian Chamber of Commerce, and the Egyptian French Business Council. CEEBA membership would, in turn, consist of the leaders of these four bi-lateral associations, alongside a representative from each EU member state. On the executive boards of these Egyptian-European partnerships in commerce we find the return of our central characters: Mr. Arafa—Co-Chairman of the Egyptian Italian Chamber of Commerce; and board member of the British Egyptian Business Association (Arafa Holding 2012)—And Mr. Abouleish—on board of German Arab Chamber of Industry and Commerce since 2002 (Abouleish 2010). Alaa Ezz would take charge of CEEBA's management, appointed the Confederation's secretary general, whose office would be housed at the German Arab Chamber of Industry and Commerce headquarters ['Briefs: Egypt-EU Confederation' 13 May 2009. http://weekly.ahram.org.eg/Archive/2004/690/ec5.htm].

and BusinessMed (Ezz 2014).[167] Demonstrating the compounding nature of cosmopolitan capital, this initial Meda Finance funding agreement of €71,000 was intended to reap future dividends. As Mr. Ezz described it, the project aimed:

> To monitor available resources and *network* with the EC [European Commission], EIB [European Investment Bank], EBRD [European Bank for Reconstruction and Development], and EU member states and all bilateral and multilateral donors and financial institutions aiming at the support of business [emphasis added] (Ezz 2014).

Naturally, 'SMEs' stood at the center of the initiative's discourse. These efforts to monitor resources would take the form of making available: 'the highly needed information about sources of grants, technical assistance, soft loans, and novel financial instruments to their real targets…SMEs' [ellipses original] (Ezz 2014, slide 3).[168]

However, examination of the study and accompanying conference raises doubt with regard to who the real intended beneficiaries included. The 'guide for SMEs' identified €22 billion available in the form of direct grants, loans, or lines of credit from international donors. The vast majority of funds identified as grants or technical assistance for Egypt's 'SMEs' would first pass through either the IMC or SFD (MEDA Finance 2010). As argued in previous sections, such funding should be problematized for endowing the executive boards of these organizations with substantial rent streams subject to little to no oversight and liberal terms of use.

In addition to the funds allocated through these core 'business development' organizations of the Businessmen Cabinet PPPs, a large portion of the identified financing would take the form of yet another type of 'Public Private Partnership'

[167] Others overseeing the signing included Asem Ragab, President of GAFI; and—perhaps because wearing three hats at once was too much for Mr. Zorba—Hani Hafez, FEI managing director, stood in as the Federation's representative. We may recall, at the time, Zorba also held the positions of FEI President and ECES Chairman.
[168] Ellipses used in original text.

flourishing around the financial liberalizing reforms of the Businessmen Cabinet era: private equity funds. Private equity funds—which typically make their gains through investing in companies, increasing their profitability, and selling them for higher than initial cost—offered a prime vehicle for maximizing the fruits of cosmopolitan capital (both the economic and social variety). Through this investment scheme, the 'local knowledge' of Egyptian elites (or high-level domestic capital granting access to Egypt's national resources) could be matched with the economic capital of international investors and lending agents.

In this cosmopolitan partnership, the latter entrusted Egyptian private equity firms with their money in exchange for an expected return on investments made in the domestic arena. Thus, the international and/or domestic investors gained from the profit on the initial investment (or 'carried interest,' typically at the rate of 80 percent), while the Egyptian private equity board members increased their economic capital through the remaining portion of the carried interest (typically 20 percent), in addition to management and advisory fees, as well as quarterly dividends.

Private equity funds have been highlighted for their potential in demonstrating astronomically high returns—particularly for their board members, whose average annual gains for the top-performers reach numbers far above those secured by even the highest executive earners at banks. [169] An oft-cited reason for the high return potential is the amount of risk that might accompany the investment activities of private equity funds—whose profits, we may recall, rely on successfully 'upgrading' companies and selling them at a gain (Horton 2015). However, when private equity firms consist of individuals

[169] To give an idea, in 2015 the average annual pay for the top private equity executives in the US was $138 million compared to $23 million for top-ranking bank executives (Protess and Corkery 2016).

possessing networks of (1) high-level domestic capital, together with (2) access to vast pools of cosmopolitan capital (both social and economic), and (3) operate in an arena of weak institutions, this risk is greatly mitigated.

Returning to the Meda Finance project, behind the scenes we find again a team of both old and new faces of the Gamal cohort. At the initiative's conference to unveil the €22 billion initiative, Mr. Zorba inaugurated the event, and Hassan Heikal, CEO and founder of both the investment bank, EFG Hermes, and Citadel Capital—'Africa's largest private equity firm' (Citadel Capital 2010, 10)—offered the keynote address to thank his Mediterranean friends for their support in assisting Egypt's development. Providing the executive link, Heikal's co-CEO at EFG Hermes, Yasser El Mallawany, had well-known personal ties to Gamal and also served on the NDP's Policy Secretariat under the leadership of the presidential son (Roll 2010; Daragahi and Wigglesworth 2012). Gamal himself had entered into a partnership with the investment bank in 1997 to manage EFG-Hermes' private equity business (See Diab 2016 for a more detailed account of Gamal's involvement).

Top members of 'the state' also had a stake in EFG Hermes. Businessman Minister Rashid became a major shareholder in the investment firm in 2004, joining Businessmen Ministers Mansour (Minister of Transport) and Maghraby (Minister of Tourism, then Housing) who had purchased their shares earlier in 2001 (Roll 2010, 361).[170] Within the wider web of individuals and organizations connected to EFG

[170] Along with tremendous gains on the Egyptian stock market, Mansour and Maghraby had also been busy expanding their cosmopolitan capital. In 2006, the pair's Mansour and Maghraby Investment and Development (MMID) Company joined forces with France's Crédit Agricole to buy the Egyptian American Bank—a purchase highly criticized for its lack of transparency and severe underpricing (El Naggar 2009; Roll 2010).

Hermes, we also find core 'private sector' actors of the reform era business-state assemblage.

Alongside his garment production, Mr. Arafa had also dabbled in the world of finance. In 1994, Arafa co-founded one the country's *first* private equity funds: the Commercial International Investment Company (CIIC) (Arafa Holding 2013), which partnered with EFG Hermes—the latter serving as the financial group's 'investment banking arm' ("CIIC" 2001b). Additionally, EFG Hermes' venture capital arm, Ideavelopers, would be selected to manage CIIC's SME fund. Tracing the individual overlap, we find Mallawny as the inaugural managing director at CIIC (from 1994), prior to becoming the co-chief executive of EFG-Hermes (in 2006) ("CIIC" 2001a).[171] At the firm level, EFG-Hermes had also organized the stock market launch of Arafa's holding company in 2006 ("EFG-Hermes" 2015).

Meanwhile, international actors would also integrate themselves into the EFG Hermes web. One notable example can be seen in the French private equity investment fund, InfraMed, which took as its local partner EFG Hermes. InfraMed, included on the *Invest in Med* list of potential project financiers, constituted €1 billion of the identified €22 billion ostensibly taking 'SMEs' as its targets, and offered equity for projects in infrastructure and energy.

Within this web of high-level capital, we find a revealing case of another use of the 'Public Private Partnership' (discursive and institutional) mechanism that existed between financial institutions such as EFG Hermes and Citadel Capital and the state, and

[171] Serving alongside Arafa on the CIIC board of directors, we also find Taher Helmy and two members of the Mansour family ("CIIC" 2001a). Meanwhile, Businessmen Ministers Mansour and Maghraby were amongst the investment holding company's largest shareholders with an 11.7 percent stake through their investment vehicle, MMID (*ibid*).

in parallel to the quasi-governmental organizations for business development services discussed above. These partnerships—benefitting from the financial liberalizing reforms that were secured through the networks and policy-making platforms examined throughout earlier sections of the dissertation—offered additional venues for elite resource capture.

Indeed, EFG Hermes stood at the center of a number of scandals, implicating many of core actors of the PPPs highlighted above. Perhaps the most egregious of these scandals occurred during the first 18 months of the new Businessmen Cabinet's tenure, when share prices at EFG Hermes increased by almost 20 times that of their mid-2004 rates (Roll 2010, 361), translating to tremendous gains for investment firm's top shareholders—the three Businessmen Ministers (Rashid, Mansour, and Maghraby) amongst them. Shares controlled by Mansour and Maghraby, for example, increased in value from $7.2 million to $116.2 million during the short year and a half (*ibid*). Meanwhile, through a complex web of shell companies in offshore tax havens acting as EFG-Hermes subsidiaries, Gamal managed to achieve a 1,188,400 percent rate of return on his initial investment, amounting to $20.3 million in 'fees and commissions,' between 2003 and 2011 alone (Diab 2016). This was in addition to his participation in insider trading through EFG-Hermes during sale of Al Watany Bank of Egypt in 2007, where Gamal and his brother Alaa sat on the board (alongside Mr. Zorba). Co-CEOs, Heikal and Mallawny, were also indicted alongside the presidential brothers on the graft charges, which amounted to an estimated $400 million in corrupt gains (Daragahi and Wigglesworth 2012).

The Meda Finance project contributed to this complex web of individuals, organizations, and economic institutions, further enhancing the cosmopolitan capital—both economic and social—of the Egyptian elites party to partnerships. As we may recall, the Meda Finance conference component took as its explicit aim to serve as a networking platform with European financiers and Egyptian 'SME' beneficiaries. An alternative interpretation might posit that the types of connections formed and/or enhanced over the course of the project can be found, instead, amongst considerably larger actors.

In 2010, for example, Heikal's Citadel Capital would secure the private equity firm's largest ever deal for a $3.7 billion oil refinery project, with the French-Egyptian private equity partnership, InfraMed, a core investor (through a 7.5 percent ownership and an investment of $100 million), along with the International Finance Corporation (IFC) of the World Bank Group with an investment of $85 million. Additional Meda Finance 'networking' targets provided the debt financing, including a contribution by EIB of a $450 million loan (Citadel Capital 2012, 26).[172] Meanwhile, Citadel Capital board members would provide the high-level domestic connections central to liaising with the 'public partners' of the PPP, in this case: (1) the state-owned Egyptian General Petroleum Corporation (EGPC) at the Ministry of Petroleum, which had a 25 percent stake in the project, and (2) representatives within the various additional government authorities, the Egyptian military amongst them, from whom investors would have been required to obtain a complicated series of permissions (Leach 2014).[173] As noted above, a deal such as this would be tremendously lucrative for Citadel Capital's board members,

[172] Of course, MedaFinance did not serve as the only link these individuals had to the international financing community, but rather played an important role as a platform contributing to the strengthening of partnerships.
[173] This is the case for any operation involving Egypt's energy sector (Leach 2014).

who we may recall received generous compensation for their 'advisory services' on investments.

Tracing the interconnected web of economic institutions, financial transactions and individuals, we find again the return of Mr. Arafa, who had joined the firm's board just a year prior to the $3.7 billion deal (Citadel Capital 2009). Mr. Arafa's participation on the Citadel board proved quite lucrative. During the first two years of his management contribution, Arafa reported $17 million in capital gains (Arafa Holding 2009, 2010).

Finally, the persisting returns of cosmopolitan capital, outliving domestic regime change, can also be seen in the Meda Finance framework. The initial financial networking conference 'for the promotion of SMEs' was to become an annual event, bringing the same international financiers back at Meda Finance 2010, to present new financing opportunities to their Egyptian partners. Following a relatively brief hiatus after the revolutionary shake-up, the Mediterranean friends would reunite at Meda Finance 2014.

* * *

12. The Web Breaks, 25 January 2011: Dissecting the Defense

In the wake of the 25 January Revolution, Abouleish, Nadim and Rashid were indicted for mismanagement of IMC resources and squandering public funds (BBC Arabic 2011; El-Din 2013). Rashid was also charged with illegal profiteering in his capacity as Chairman of the Export Development Fund after it was revealed that he had a significant stake in a number of the companies, receiving subsidies from the Fund (Bassiouni 2012, 9). The three men were given multi-million pound fines, and Rashid was given a five years prison sentence in absentia, having fled the country immediately

following the Revolution. In addition to his fines, Abouleish was held in custody for just over three months before being released and sentenced to one year of probation (Sekem 2011).

Dissecting the Defense

Following Abouleish's release from prison, his holding group's journal, *SEKEM Insight*, published an article providing details of the case against him and his alleged misuse of IMC funds. The article begins by tracing Abouleish's rise to leadership in the organization. It notes that after IMC's 'first few years with only little success, the IMC management in 2005 took the decision to involve the private sector more closely in the allocation of funds,' at which point Abouleish became the Executive Director (Sekem 2011, 4). According to the article, this period had been so effective that 'the European Union decided to fully hand over the responsibility for the management of the facility to the Egyptian authorities and the private sector' (*ibid*).[174] This integration of the organization under the auspices of the Ministry of Industry and Trade (Rashid) with private sector direction (Abouleish)—under the blessing of its foreign donor (the EU)—granted the pair more direct control over both management and funds.

The evidence Abouleish points to in his defense is revealing of three important trends apparent in Egypt's space of the business-state assemblage and key contributors to the resource capture that occurred: (1) the value of the organizational veil; (2) the central role of international partners in facilitating exclusionary access to economic benefits; and (3) the legal cover provided by the interplay between organizations and institutions.

(1) The Organization Veil, or 'Third Party Suppliers'

[174] A USAID report similarly commends the new management, attributing it with leaving the IMC 'more field-oriented, realistic, and adapted to real needs of the economy' (Clark et al 2012).

A 2010 OECD-sponsored report notes: 'There are too many export promotion players' (*Business Climate Development Strategy: Egypt* 2010, 7), continuing: 'In addition to the Egyptian Export Promotion Center (EEPC), the main governmental export promotion agency, numerous other players offer services which overlap or duplicate each other' (*ibid* 8). Citing the IMC and ExpoLink as two of these overlapping organizations, the evaluators suggest this to be a structural flaw, a coordination problem. What they fail to entertain is the possibility that the duplication of export promotion groups may have been intentional—allowing elite individuals leading these organizations to draw from the same two pools of funding (IMC and EDF) that were then funneled through various channels.

As part of his verdict, Mr. Abouleish was ordered to repay all funds received by Sekem Holding. In his defense, he argued: 'SEKEM firms have never actually received this money. Funds from the IMC always go to third party suppliers and providers of the services from which companies like those of SEKEM may benefit' (Sekem 2011, 3). Indeed, as discussed above, IMC money would instead be allocated through bodies such as ExpoLink, the Egyptian Export Promotion Center, and Export Councils—with which, as examined above, Mr. Abouleish had no shortage of links. Other 'third party suppliers' included independent consultants and technical trainers, chosen by Mr. Abouleish, as well as banks that would readily disburse the IMC funds against the invoices presented by Sekem for the group's newly acquired machinery under initiatives such as the Equipment Purchase Incentive Scheme[175] (which itself, we may recall, was created by Abouleish during his tenure leading the IMC). Thus, even if much of the IMC funds did technically pass through other organizations before reaching Abouleish's businesses,

[175] Confirming Mr. Abouleish's defense, the grant was to first be disbursed to a 'partner bank'—which would release the funds to the company 'once the equipment is installed and operating on site' (MOTI 2006, 26).

there existed little practical difference—a fact suggested by Sekem's earlier reports to investors citing 'financial support from the IMC and ExpoLink' as a valuable part of the firm's sustainable development (Sekem 2008; Sekem 2009, 13).

(2) International Complicity

Continuing his defense, Abouleish argues: 'all funds were expended in accordance with the in-house manual of procedures,' adding that, 'the competent authorities of the European Union re-examined all expenses on a regular basis' (*ibid*). Abouleish briefly entertains the notion that there may have existed a conflict of interest, but dismisses it, stating that '[a]ccording to the regulations of the IMC…any support that ever went to SEKEM companies has always been perfectly legal'—an assertion which, '[t]he many instruments of control of the IMC and the European Union' also confirmed (*ibid* 2).

(3) Institutional Cover

Finally, we may recall, during his tenure as inaugural IMC leader of the new Public Private Partnership initiative, Abouleish had discretion over setting the body's regulations—such as the rule that would allow him full access to IMC assistance after a relatively short 'grace period' of retirement from the position of IMC Executive Director (Sekem 2011, 4). This 'grace period' (as defined by Abouleish) would not take into account the fact that Abouleish maintained a top-level post as Chairman of the IMC Management Council, nor that he had handpicked his successor (Nadim), when protecting against potential conflict of interest.

The article further supports the legality of Abouleish's acquisition of funds and assistance by pointing to the 1999 Law of Cooperation, 'which governs cooperative entities such as Public-Private Participation,' noting that '[i]n fact, the law had been

created specifically in the course of the establishment of the IMC' (*ibid* 5). As he explains:

> An entity established on the basis of this law is by definition not a purely Egyptian authority but a community facility subject to complex regulations and special rules, which combine and span several legal frameworks of all participating partners (Sekem 2011, 5).

As Abouleish's defense demonstrates, there existed many layers of protection for his privileged access to IMC benefits, both built into the organization and also granted by the 'competent authorities' of his foreign partners. Recall North's (1990) depiction of the dialectical relationship between organizations and institutions. The IMC was created in tandem with a law that was intended govern it and supersede domestic legislation. Thus we see the parallel establishment of both players and rules of the game, in partnership with foreign donors, defining the space of Egypt's economic 'development.'

* * * * *

Conclusion

At an ECES conference held shortly following the inauguration of the Businessman Cabinet, entitled 'Rethinking the Role of the State,' a working paper suggested export promotion to be a fairly innocuous industrial policy. The authors posit that export levels provide 'a relatively clean measure of the relative competitiveness of domestic producers,' adding the East Asian example should be followed with regard to terminating government support to 'laggards' (Noland and Pack 2005, 10).[176] However, as this chapter has demonstrated, export levels of Egyptian producers must be understood as part and parcel of the reform era business-state assemblage. That is to say, components

[176] The article would later be included in a book—also emerging from the ECES conference—edited by Ahmed Galal (2008), who was the first director of ECES (Abdelrahman 2015, 9), with Zorba as his vice chairman.

of the reform era business-state assemblage—particularly, privileged access to international donor resources, export markets, and public subsidies—played a defining role in determining *who* would be a successful exporter, and who would be a 'laggard.'

This chapter has argued that the web of organizations, redefined as quasi-governmental entities during Rashid's tenure (2005-2010), served three main functions working against the interests of smaller firms. First, they served as platforms for select business elites to secure public resources as well as funds and export markets from foreign donors. As demonstrated above, this allowed individuals at the head of these joint Egyptian government-international 'business promotion' organizations to pursue their personal firm development while excluding smaller firms. Second, these organizations allowed the entrepreneurial elite to *formalize* pre-existing informal networks or *create* new networks that secured privileged access to policy-making bodies, consolidated through access to rent sources offered by the large budgets and liberal rules of fund allocation of the EDF and IMC.

Finally, this chapter has argued that these organizations provided built-in mechanisms to ensure continued exclusion of smaller firms. As I have attempted to demonstrate, this was achieved largely through the development discourse espoused by networks of local economic elites and their foreign donor partners, creating a false image of SME inclusion and assistance. This discourse suggested that the establishment of the IMC, ExpoLink and Export Councils had successfully laid the groundwork for gradual SME integration into the economy, while, I argue, these 'quasi-governmental' bodies instead created new forms of exclusion—creating an organizational and institutional foundation for access to political and economic privilege for the few, and structural

exclusion for Egypt's majority. The net result: a widening gap between reform winners and losers, and a continued 'Missing Middle.'

Adly (2011) posits that close-knit networks of cronyism and corruption evolved around the acquisition of public assets, pointing specifically to land, natural resources and state owned companies up for privatization (6). This chapter has added quasi-governmental development organizations to the list of axes around which such networks were cultivated and sustained. As with selective access to public assets in the form of direct transfers of land, etc., PPP 'business development' projects—which received ample public and international funds—offered yet another form of exclusionary access and resource capture. To borrow an interlocutor's phrase, I have attempted to demonstrate that these organizations were an important part of the 'barter system' [*muqayda*] between political and economic elites, offering individuals rents that they could then distribute at their discretion to enhance their networks and arrangements of exchange.

Abouleish offers a prime example of the complex blend of capital involved in both accessing and institutionalizing reform era resource capture. He used his cosmopolitan capital (an EU citizen with Austrian roots, offering a familiar language to his European counterparts) alongside high-level domestic capital, with direct links to the NDP and Minister Rashid, in order to set the rules of the game. He did so through his participation in writing Egypt's new roadmap for industrial development (the Industrial Development Strategy) as well as by institutionalizing the conditions for use of IMC funds while serving as Executive Director during the body's reimagination under the new project of Public Private Partnership (2005-2006). Having set the rules of engagement, he

retired from his position to harvest what he sowed.

Abouleish and Nadim, sitting at the helm of the IMC, were granted the most direct control over international and publically sourced IMC funds. As seen above, this allowed them considerable access to resources through both: (1) the ability to tailor national programs to their particular firms' needs, while also stipulating the conditions for accessing assistance; and (2) control over setting board member honorariums.

However, there was another set of actors hiding behind the web of PPPs whose benefits afforded by the IMC and EDF reserves made those of IMC leadership pale in comparison. Top beneficiaries of these new export promotion projects included two of Egypt's largest exporters and wealthiest businessmen: Arafa and Khamis. These early reform winners from the era of privatization (1990s) were brought into the *diera mughlaqa* of the era of exports and the era of financialization (2000s). The 1997 Investment Guarantees and Incentives Law, which Khamis was instrumental in securing, already offered Arafa and Khamis extraordinarily lucrative benefits. And yet, despite the fact that neither was eligible for either IMC or the EDF resources—as both initiatives were intended to support the development of smaller firms—Arafa and Khamis enjoyed privileges in plenty. The 'politics of policy' (Robinson 2009) as played out in the top-level *diera mughlaqa* triumphed over stated intent as articulated to the Egyptian public and international donors.

As for the reform losers, they would take the form of the lower and mid-level bureaucrats in sidelined government bodies, as well as the majority of Egypt's (existing or potential) entrepreneurs, who lacked connections to the boards of the PPPs for business development. As demonstrated above, the Rashid-era PPP initiative resulted in

the sidelining of old state organizations in favor of newer internationally funded private ones—such as in the case of ExpoLink and its bureaucratic counterpart, the GOIEF. Or alternatively, by restructuring the leadership of old bureaucratic bodies—replacing statist executive boards with elite businessmen, such as occurred in the Egyptian Export Promotion Center (EEPC), which would administer the Export Councils and assist in disbursing the Export Development Fund.[177]

Meanwhile, the average Egyptian small firm owner—the bureaucrats' socio-economic equivalent in the business arena—who lacked the cosmopolitan capital to participate in direct channels of international donor wealth, was similarly excluded from the spaces of carved out efficiency, condemned instead to sink in the morass of the remaining lower-level bureaucrats, while facing a new set of quasi-governmental bureaucrats as well. The following *interlude* (following the same structure as Winegar 2006) aims to provide a glimpse into this tiered access contingent on socio-economic capital.

Following that, Chapter 6 will then trace many of the same actors introduced here to a parallel development emerging from the era of Public Private Partnerships: the QIZ agreement. In it, we find a tailor-made preferential trade policy to complement the bespoke export promotion legislation and organizations discussed in this chapter; and an important node in the ever-expanding business-state assemblage.

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[177] This also occurred in other central organizations party to the PPPs, most notably, GAFI.

Interlude:

The IMC's Quasi-Governmental Bureaucracy

Mr. Amr,[178] an upper-level official in the Minister of Industry and Trade, described to me the IMC as at once 'the technical arm of the Ministry' and a 'quasi-governmental body.' I expressed my confusion at how the IMC could be both 'an arm' of the Ministry and yet only 'quasi' governmental. He hesitated for a moment, himself looking confused at the question. 'Well,' he said searching for a response, 'the Minister is in charge of the organization, but the board is comprised of private sector representatives.'

'And who decides who serves on the board?' I asked. 'The Minister, of course.' Mr. Amr explained that the board members were appointed 'based on the history of the company and the individual—their experiences and successes.' According to Mr. Amr, the Minister of Industry and Trade chooses 'the most successful businessmen so that they can serve as examples for smaller businesses and teach them how to be successful.'[179] He

[178] Name changed for confidentiality (Author interview September 1, 2013)
[179] As seen in the previous chapter, such a command structure can be found replicated across a number of reform era PPPs. We may recall, in addition to the IMC, Minister Rashid was given authority to appoint the

explained that the board met with the Minister every few weeks and presented on the progress of various programs and new initiatives. As detailed in the previous chapter, under Rashid, this small group of handpicked IMC elite would then create the organization's vision and serve as the interlocutors for foreign donors, thus securing direct access to the funds and resources gathered by the IMC—leaving those outside of the *diera mughlaqa* (closed circle) to contend with quasi-governmental bureaucrats and questionable assistance.

Indeed, while those sitting at the top of the IMC hierarchy enjoyed obvious benefits from the program, assistance received by ostensible SME targets is less clear. Small and medium-sized enterprises possessed a different form of capital from the individuals who served on the IMC board and their executive-level Public Private Partners. Their capital (social, economic and cultural) placed them, instead, in the circle of Mr. Ahmed—the 'quasi-governmental' equivalent of the lower-level government official.[180] An auditor for the IMC, Mr. Ahmed was charged with assessing the training programs implemented amongst some of the organization's '15,000 beneficiary companies' (IMC 2009). He was the father of a friend of a friend, and my two-and-a-half hour interview with him was conducted in his living room over a cup of Nescafe. Our conversation included a mix of official discourse and candid expression—the two often contradicting each other.

While Mr. Ahmed could not speak for the entirety of IMC lower-level employees, the conversation was revealing on a number of issues, offering: (1) insight into the

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leaders of the Export Councils, the Egyptian Export Promotion Center (EEPC), the FEI, and the IDA (Abdel-Latif and Schmitz 2009, 25)—Minister of Investment, Mohamed Mohieldin, was in charge of appointing head of GAFI.

[180] Surname excluded for sake of confidentiality.

discourse permeating the organization; (2) a glimpse of the composition of the IMC's bureaucratic framework; and (3) a conceptualization of the IMC, its mission, and its relations with other organizations 'from the bottom up.' Additionally, information and observations gleaned from this interview were triangulated with interviews with IMC employees in more formal settings, as well as small and medium-sized enterprise owners who have come in direct contact with this tier of employees in the IMC hierarchy. Together, these conversations shed light on the *lived experience* of the IMC as opposed to packaged success stories provided by the organization's executive and the technical evaluations provided by fly-in foreign donors.

Accessing the IMC

Mr. Ahmed had worked in the private sector for twenty years before coming to the IMC where, when I spoke to him, he had been for seven years (2007-2013). He was regional sales director of a large firm selling house appliances before leaving to create his own company. But, as he put it, starting a business turned out to be harder than expected and it seemed he had 'used up all [his] luck in the private sector.' As he explained: 'I was a big deal at the company I was working at before. And when I failed at starting my own business, I thought I'd take any job and be done with it. That was my destiny [*El insan musayer mish mukhayer*].'

When I asked what attracted him to the IMC in particular, his response was a familiar one: 'To tell you the truth, a friend got me a job here.' He laughed, 'You know how it works in Egypt: everything happens with connections [*kull Haga bil-wasta*].' Indeed, this seemed to be a trend in gaining access to the IMC more generally. As Shabrawi, a medium-sized textile owner explained: 'Not everyone is accepted by the

IMC. You have to know people inside. They don't have to be high up—they just have to be inside.' This general sentiment was confirmed by nearly all of my small and medium contacts.[181]

Both with regard to becoming integrated into the bureaucratic framework of the IMC as well as gaining access to its ostensible services, it appears that the core of the organization was characterized by an 'infestation of petty bureaucrats wielding petty powers' (Ferguson 1994, 273). Employees within the development agency served as the lower-level gatekeepers for allocating jobs and deciding which firms would receive IMC services.

However, upon closer examination neither the bureaucrats nor the beneficiaries of their 'petty powers' commanded entirely enviable positions. With regard to the latter group, there was a consensus of disappointment amongst contacts who had been recipients of IMC services. We may recall Mohammed Karim (medium-sized furniture owner of Chapter 2), who noted that he had attended a training course provided by the IMC, the contents of which he described as 'information that even young children know.'

Abdel Fattah, a small furniture producer, described a three-day course he attended organized by the IMC, which brought in 'external experts:' 'They focused on how to get customers, how to develop a website. But it was very academic—detached from reality. The course was given by professors at Cairo University, but they didn't understand the way the local market works.'

Apparent in Mohammed and Abdel Fattah's complaints are two parallel trends witnessed in my discussions concerning the IMC: (1) ineffective staff *playing the role of*

[181] When I asked Abdel Fattah, a small furniture producer, if he had heard of the IMC, he replied: 'My cousin got me into a training course there once.' Likewise, contacts who were rejected from IMC services attributed it to the fact that they didn't have *wasta* (connections).

technical expert, but receiving their positions based on connections rather than merit; and (2) reliance on *academic experts* with no practical experience. Both of these characteristics although offering, as one contact put it, 'a good show,' resulted in little real benefit for many.

With regard to the IMC employees, Mr. Ahmed provided an example of a deeply dissatisfied bureaucrat. Approaching the second hour of the interview, he admitted: 'To tell you the truth, I'm not happy with myself [*ana mish radi a'n nafsi*]. I don't believe in the work that I'm doing [*mish muqtana'*]. I don't believe in anything except tangible results that I can hold in my hand.' Mr. Ahmed, a businessman at heart, saw the IMC as his quasi-governmental safety net alternative.

Interrupted discourse: interpreting Egypt's industrial problems

At the start of the interview, Mr. Ahmed described the struggle of Egypt's industries to be one primarily of financial concerns. The logic was simple. Because of the global economic crisis of 2008, Egypt's factories had been closing: 'The whole problem is the financial situation. That's the reason Egypt's industries are suffering. We can't help them with that, but we give them *training courses*.[182] Develop their *performance*. We give them *services*. Some *tools*.'

When I asked Mr. Ahmed to elaborate, he continued: 'I mean, we develop their performance. Then we do an *evaluation*. We set the *priorities* for what they should accomplish and then see if it has been accomplished.' Mr. Ahmed's choice of words to express in English was not an arbitrary selection. Indeed, they were very much in harmony with the IMC's official publications engaging with the technical terms of

[182] The interview was conducted in Arabic but certain words were instead given in English. Use of English will be denoted by italics throughout the chapter.

international development discourse—*training, performance, services, tools, evaluation*. As Escobar (1995) posits, this discourse is constitutive of the 'the system that allows the systemic creation of objects, concepts, and strategies; it determines what can be thought and said' (40). Even when I pressed Mr. Ahmed to provide specifics of the organization's activities, he merely repeated the 'concepts' and 'strategies' that he had been trained to recite—that which was in his dictionary of IMC activities.

However, while it is true that in the context of formal and direct questions about the IMC Mr. Ahmed struggled to provide terms outside the prescribed discursive framework, his replication of the IMC's official discourse broke down as the interview continued and the introductory formalities subsided.[183] As his more candid expressions revealed, the idea that development discourse 'determines what can be thought and said' (Escobar 1995, 40) fails to acknowledge the agency of the individual actors operating within the system. While reminiscing about his previous business successes, Mr. Ahmed noted:

> When I was working in the private sector, we would set a plan. We would say, 'let's build a hundred factories.' And we would see the factories. But now all I can say is 'we *developed* x-number of factories,' 'we *trained* x-number of people.' Where is the tangible result [*feen el Haga*]?[184]

I asked him to clarify: 'So you don't think the IMC helps?'

> Of course it does! It provides services and *training*. And sometimes we bring *experts*. They develop the companies. They make them do *modernization* of their product. We also have programs for '*SMEs*'… something like that. I mean the small enterprises [*Laughs*]. But especially for those guys there's no hope.

[183] By the second hour, the conversation had taken on a significantly less formal tone and included the inevitable questions on my religion, marital status, stance on the Muslim Brotherhood, Obama and the Egyptian military.
[184] Literal translation: 'Where is the thing.'

Mr. Ahmed offers an interesting confluence of candid reflection and official discourse. He made his skepticism regarding the discourse of 'developing' and 'training' explicit. It left him asking, '*feen el Haga?*'—where are the tangible results? However, Mr. Ahmed's nostalgic reflection, recounting when he was a 'big deal,' changed course when I asked him directly about the efficacy of the IMC—at which point he reverted to the 'concepts' (*training, experts*, *development, SMEs)* of the discursive 'system' (Escobar 1995). And yet, in the same breath, he admitted he was not convinced by the project—positing the IMC's SME program to be a fruitless endeavor. Even though Mr. Ahmed used the development discourse, it is clear it did not determine how he *thought*.

He explained to me by way of analogy why the SME program could not work: 'Let's say you have an air conditioner that's broken and I keep telling you, "take this remote. It's brand new." But you don't need a new remote. You need someone to fix your air conditioner. Unfortunately, that's what happens.'

Mr. Ahmed suggested that what the IMC had to offer was not what the small and medium-sized firms needed—an opinion in harmony with the idea that the 'development project' is 'set up to provide technical solutions to "problems" which [are] not technical in nature' (Ferguson 1994, 87). Ahmed suggested that smaller enterprises needed money and markets, not training and experts. Indeed as one medium-sized textile firm owner (Ahmed Ragab) explained, 'The IMC has a lot of money, but they allocate it to things we don't need. Help me export. Help me reach clients and customers. Don't give me useless training [*tadreeb malush lazma*].'

Throughout my interviews, the most commonly cited barrier to growth amongst my medium firm contacts was not lack of technical assistance, but rather a need for

markets [*aswaa'*] and export assistance [*da'm lil-tasdeer*]. Amongst my micro and small enterprise contacts the need was for access to finance and freedom from extortionary practices by government officials. Regardless of what one posits as the central binding constraints of Egypt's small and medium-sized firms, empty training courses and evaluations did not offer convincing remedies—not even for those, like Mr. Ahmed, functioning as part of the 'institutional apparatus' implementing the program (Ferguson 1994).

However, this desire for export assistance did not go unaddressed by the IMC. Indeed, as discussed in Chapter 5, export promotion was a central component of the organization's official vision (IMC 2009). As Mr. Amr at the Ministry of Industry and Trade explained, '[The IMC's] mission is to modernize and develop Egypt's industries in different fields— to provide technical assistance, training, and *export programs*.'[185] He added by way of example: 'If a company has a *network* of suppliers and consumers, the IMC helps increase these *networks*. There are regular meetings with the companies to see their needs.'

While Mr. Amr at the Ministry of Industry and Trade provided a detailed description of the partnership between the IMC and ExpoLink, for Mr. Ahmed, the situation was more ambiguous:

> There's no clear relationship [*ma feesh 'ilaaqa wadHa*] between the IMC and ExpoLink except that we both belong [*bituu'*] to the Ministry of Industry and Trade, so there's coordination [*tanseeq*] there. There are meetings between all of the executive committees having to do with industry. And the Minister is head of all of these.

[185] Author interview.

This divergence in understanding with respect to the relationship between the IMC and ExpoLink is revealing of the different forms in which the organizations exist depending on which tier of actors is being discussed. For Mr. Ahmed, operating at the lower level of the IMC bureaucracy, there was 'no clear relationship;' however for members of the executive committee gathering regularly, as shown in Chapter 5, the relationship was far more concrete. While at the elite level 'private sector representation embedded' in ExpoLink served as an important partner for Egypt's industrial 'development process' (IMC 2009), capital-deficient SMEs instead contended with a new set of bureaucrats, this time of the quasi-governmental variety.

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Chapter 6: The QIZ Agreement: Negotiating Networks of Privilege, 2004

'I'm contributing to unemployment in Egypt by wearing all of these hats.'

- Egyptian businessman and executive board member of numerous 'quasi-governmental' bodies in Egypt's business world (Author interview 28 August 2013)

Introduction

We saw in the previous chapter how Public Private Partnerships for Egypt's industrial development and export promotion, while ostensibly representative, instead facilitated economic transactions between networks of local elites and their foreign partners. This chapter examines a set of negotiations that occurred in parallel to the creation of these PPP networks. We find a number of the same actors return to similarly monopolize channels of 'private sector' representation as they secure a preferential trade agreement offering great economic benefits to a relatively small group, while providing a discursive guise of inclusivity.

Specifically, this chapter examines the 2004 Qualifying Industrial Zone (QIZ) agreement between the US, Egypt, and Israel—as well as some of the structural changes and networks emerging in parallel. Continuing from the previous chapter, I argue that through negotiations surrounding the QIZ agreement and the related PPPs, a small group of cosmopolitan elites was able to monopolize access to policy spaces and public resources in the textile and garment industry at the expense of smaller firms. Further, I

argue that rather than promote the industrial development of the sector, the QIZ agreement and its accompanying partnerships fostered greater *deindustrialization*. I posit that this was done primarily through: (1) the capture of export markets by a relative few; and (2) the creation of policy favoring trade over manufacturing—privileging large ready-made garment (RMG) assemblers using high import content and with few domestic linkages over textile producers far more integrated into the local economy.

This chapter begins with an introduction to one of the major actors shaping the textile and garment industry in the 2000s, demonstrating the superficiality of the public-private divide. It proceeds with a summary of the macroeconomic and historical context of Egypt's textile and garment sector, stressing the importance of differentiating between textile manufacturers and garment exporters when assessing trends affecting economic development. I then provide a brief introduction of the QIZ agreement and its relevance to Egyptian exports, particularly in the textile and garment sector. This sets the scene for the core empirical sections of the chapter where I discuss: (1) the informal networks employed in negotiating the QIZ agreement, and (2) the parallel *formalizing* of partnerships—created to complement informal ties—which I point to as perpetuating economic exclusion of small businesses while deepening gains for the privileged few.

* * *

1. Kassem's Connections: Introducing Networks

Classical music playing softly in the background, Mr. Mohammed Kassem fielded phone calls flooding in following the national crisis. The military had just finished 'clearing the squares,' resulting in over 1,000 deaths and causing a flurry of international

alarm.[186] The White House was still deciding where it stood on the issue and there was, apparently, a rumor that the QIZ trade arrangement between the US and Egypt had been canceled. Mr. Kassem assured his assistant that the agreement—allowing Egypt to export to the US duty-free[187]—had not been compromised, instructing her to send a memo to the relevant investors.

As I waited to begin our interview regarding business-state relations in Egypt, I saw before me the superficiality of the divide between the nominally public and private sectors. As previously noted, Mr. Kassem began his career as an 'organization specialist' in the General Authority for Organization and Administration (GAOA) (Kassem n.d.), described by Abdelrahman (2015) as the most central body of the state bureaucracy (25), before becoming a commercial attaché at the Egyptian Embassy in DC, where he was tasked with promoting Egyptian exports (Author interview 26 August 2013). In 1989, he 'left the government to the private sector' for his current position as Chairman and CEO of the World Trading Company for ready-made garments, Egypt's 'leading marketing company in the field of Textiles' (Kassem n.d.).

Mr. Kassem, I learned over the course of our interview, was also a man of many 'quasi-governmental' hats: former executive board member on the *era of privatization's* pro-'private sector' projects generously endowed by USAID (Chapter 4); as well as deeply involved in the web of PPPs constituting Businessman Minister Rashid's 'private' partners for industrial policy-making (Chapter 5). We may recall that during Rashid's tenure, the IMC stood at the center of the web as 'chief agent' for Egypt's industrial modernization, with notable 'partners for development' including (amongst others) the

[186] The interview was conducted shortly after occupation of two squares by Muslim Brotherhood supporters, violently dispersed by the military on 14 August 2013.
[187] Contingent upon conditions discussed below.

Egyptian Exporters' Association (ExpoLink), Export Councils, and the Federation of Egyptian Industries (FEI).

As discussed in Chapters 4 and 5, Mr. Kassem served as inaugural Vice Chairman of the USAID-funded ExpoLink, appointed by his friend and business partner, Mr. Galal el Zorba (Chapter 4). Subsequently he assumed the positions of Chairman of the Ready-Made Garment Export Council, Vice Chairman for International Relations at the FEI, and Chairman of the FEI's Chamber of Textile Industries (Chapter 5). He was also the driving force behind Vision 2020—the 'national strategy' for the textile industry created as part of the IMC's Studies and Policy Support Unit—as well as Chairman[188] of what he described as the 'politically acceptable alternative to a Ministry of Textiles,' or the High Council on Textiles,[189] mandated to implement Vision 2020.

As argued in the previous chapter, central to understanding Egypt's political economic landscape emerging in the 2000s is the examination of these quasi-governmental bodies and the complex web of networks existing between them. While detailed analysis of the totality of networks between these organizations is beyond the scope of this study, in what follows I explore in depth a slice of the networks that defined the industrial policy space for Egypt's textile and garment sector.

* * *

2. Egypt's Textile and Ready-Made Garment Industry

(1) Historical Context

[188] According to an interview with the 2014 Chairman of the FEI's Textile Chamber in a prominent Egyptian newspaper, *el yom el saba'*, Mr. Kassem was appointed to the position by Rashid because he was Zorba's partner. He highlights the fact that Mr. Kassem 'has never owned a textile or ready-made garment factory in his life' (translation) (Tasweer and Abdel Rahman 2014).

[189] Mr. Kassem explained that Egypt had 'missed its opening' in creating a Ministry of Textiles, referring to the Nasser era when central planning was acceptable. Instead, the 'quasi-governmental' High Council on Textiles, with Minister of Industry and Trade (Rashid) at its head and Mr. Kassem at its helm was mandated to implement the national strategy for the textile and garment sector, Vision 2020.

This story of Egypt's deindustrialization alongside economic liberalization introduced in Chapter 1 holds particular significance for the textile and ready-made garment (RMG) industry. From the 1930s through the 1970s, the sector benefited greatly from Egypt's protectionist policies and experienced high productivity largely owing to state support (El Haddad 2010). This was particularly true from the early 1960s, when Nasser nationalized most of the textile industry (Beinin 2010), simultaneously reserving Egyptian cotton for domestic production, and designating the government-owned textile industry as the only permitted purchaser (Haddad 2010).

Market liberalizing reforms, initiated in the 1970s and intensified under Egypt's 1991 structural adjustment program, changed this scenario considerably, exposing the once-protected industry to global competition (Abdallah et al 2012). In 1994, Mubarak liberalized the cotton trade, resulting in a shortage for domestic use as Egypt's high quality cotton was instead increasingly exported (El Haddad 2010). Then in 1995 Egypt joined the World Trade Organization (WTO), committing the government to further liberalizing reforms (Abdallah et al 2012).

These developments were accompanied by a shift to growing private sector ownership. Between 1997 and 2006, public sector share in the textile and garment industry fell from 39 percent to around 20 percent (El Haddad 2010). Much of the complementary increase in private sector participation occurred in the RMG subsector—over 70 percent of which is now dominated by private firms (Ghoneim 2013, 3). Meanwhile, large public enterprises have maintained a considerable presence in textiles, or spinning and weaving (Abdallah et al 2012; Beinin 2010).[190]

[190] As Beinin (2010) points out by way of example: In 2000, one of the most successful privatized textile firms, Alexandria Spinning and Weaving, employed a mere 3,200 workers and collected revenues of

(2) The Subsector Divide: Textiles vs Ready-Made Garments (RMG)

For a brief summary of the basic technical distinctions existing between these two subsectors: textile production involves spinning, weaving and printing, while RMG production entails the assembling of finished clothing products. In terms of required resources, RMG production demands relatively little capital and much labor, preferably at low cost. Meanwhile, textile production is capital intensive, and does not require much by way of labor.[191] These two subsectors have become increasingly differentiated by globalization and expanded participation in international markets (see for example, Cammett 2004). As RMG manufacturers were granted greater access to inputs from abroad, they became less dependent on domestic textile producers. The relevance of this distinction between subsectors will become increasingly apparent throughout the sections that follow.

(3) Macroeconomic Context

The consequences of liberalizing reforms on the textile and RMG industry outlined above also significantly contributed to Egypt's overall macroeconomic conditions. Constituting 27 percent of the country's industrial output and 14 percent of non-petroleum exports, the sector remains of great economic importance to Egypt (Oxford Business Group 2012,

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160.68mn EGP, as opposed to the 20,000 workers at the single largest state-owned enterprise, Misr Spinning and Weaving in Mahalla, which generated 700.2 mn EGP the same year (22).

[191] Politically, this fact works in the favor of the RMG producers, as they can use 'job creation' as a justification for state-sponsored support. The fact that RMG assembly can be performed by women (not requiring much by way of heavy-lifting or large machinery) is also emphasized by RMG producers, particularly those hoping to secure funds from foreign development donors. However, as stressed throughout this dissertation, job creation cannot be judged at the level of individual companies, but rather at the industry level—that is, the net jobs created or lost, taking into account firm closures and interfirm linkages. Beyond job creation, we must also look to overall health of the industry and the effects of policies on broader economic development with regard to higher value-added activity.

140).[192] The growing trade deficit in the textile and RMG industry in the 2000s affected Egypt's larger macroeconomic climate accordingly. While the sector's exports demonstrated rapid growth between 2000 and 2008, imports increased even more substantially (See Figure 1). Textile and garment import levels, valued at slightly less than $1 billion in 2000, skyrocketed to nearly $5 billion by 2008. Meanwhile exports, which started at a value of around $1.2 billion in 2000, only increased to about $2.7 billion by 2008 (El Haddad 2010).

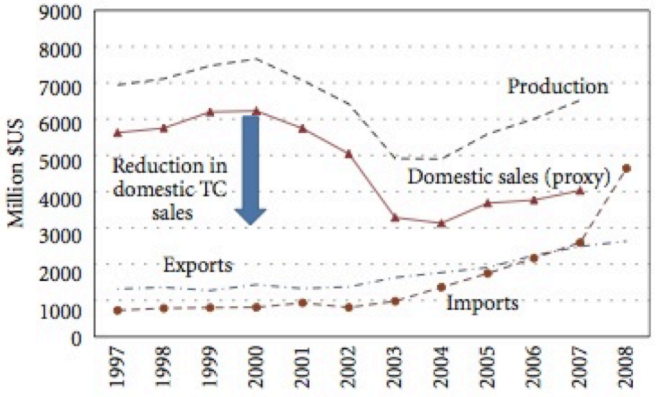


FIGURE 1: TC Evolution (1997–2008). *Source*: Production: IDA [4]; Exports and Imports: International Trade Center [21]. Data based on the partner reported data (mirror data). *Note*: data are only for companies registered at IDA. Each registered company updates its data at IDA every 5 years, which explains why for some categories

Figure 1
TC= Textiles & Clothing; 'Clothing' is referred to in this chapter as ready-made garments (RMG)
Source: El Haddad (2010)

The causes behind these parallel developments are multifold and deeply

[192] These numbers from a 2008 survey. Between 2005-2010 (the first five years of QIZ implementation), textiles and garments were calcuated as accounting for, on average, 28 percent of non-oil exports and 20 percent of manufacturing in Egypt (Oxford Business Group 2016, 129).

interrelated. First, the increase of exports was largely attributable to two new trade agreements: the Qualifying Industrial Zone (QIZ) protocol signed in late 2004 and the 2005 Euro-Mediterranean Partnership agreement. Together, these agreements allowed duty-free access for Egyptian textiles and RMG to US and EU markets, which absorb more than three-quarters of the sector's exports (El Haddad 2010, 3). [193]

With regard to increased imports, the equation is slightly more complicated. One obvious contributing factor was the lifting of the 30-year import ban on textiles (1998) and clothing (2002) in compliance with the WTO, which, as noted above, Egypt joined in 1995. However, as Figure 1 demonstrates, little increase in imports was seen during this period, a consequence of the import ban being replaced, instead, by costly tariffs—some reaching as high as $300 per imported item (*ibid* 2). Presidential decrees in 2004 and 2007 reduced these tariffs substantially, the effects of which can also be detected in Figure 1 with imports demonstrating their first significant increase in 2004.[194] In addition, the import boom was considerably tied to the increase in exports. As the government reduced tariffs on yarn and fabric, imported material became cheaper than domestic products, and import content of Egyptian RMG exports increased accordingly.[195]

The above developments in Egypt's industrial policies affecting the textile and RMG sector resulted in a self-perpetuating cycle whereby clothing became cheaper to

[193] In the case of the US, this duty-free access is conditional on requirements discussed below; and in the case of the EU, this access was contingent on rules of origin requirements.
[194] As highlighted in Chapter 5, notable exceptions to these cuts included suits and carpets, which maintained their 30 percent tariff following both rounds of tariff reduction. Arafa and Khamis dominate the suit and carpet markets, respectively, the latter commanding over 90 percent of Egypt's carpet market (Oriental Weavers 2009, 22).
[195] These preferred prices of imported over domestically produced raw materials stems in large part from the inefficiency and poor quality characterizing much of Egypt's textile sector, which, as noted above, continues to be characterized by high participation of state-owned enterprises. Alongside the market liberalizing reform project of the 1990s, the government stopped investing in the state-owned firms, instead slating them for privatization (Ghoneim 2013, 9). Meanwhile, the privatization efforts have remained politically sensitive, largely due to Egypt's labor force with a historical proclivity for political activity (see for example Beinin 2010).

manufacture, allowing Egyptian exporters to sell more products internationally, and in turn requiring increased imports of fabrics and other necessary inputs to meet the demand of exporters. While these developments assisted large RMG exporters, they were less helpful for textile companies using locally sourced raw material, and the smaller firms unable to reach international markets, confined instead to the domestic arena.[196]

The outline above of major recent developments occurring in Egypt's textile and garment sector is necessarily brief and reductionist. Each policy decision and presidential decree should be seen as a complex negotiation process between a range of individuals and interests—both domestic and international. Complete analysis of this period is beyond the scope of this study. Instead, in the sections that follow I explore the networks at work behind one of the key industrial policies shaping Egypt's textile and garment industry over the past decade: the QIZ.

* * *

3. Defining Trade Policy: The Qualifying Industrial Zone (QIZ) Agreement

The QIZ is a non-reciprocal trade agreement signed into effect in late 2004 between Egypt, the US and Israel. Created with the primary aim of 'promot[ing] peace and development between Israel and her Arab neighbors,' the agreement offered duty-free and quota-free access to US markets for products manufactured in Egypt's QIZ-designated spaces contingent on the final product containing at least 11.7 percent of input

[196] As argued in the previous chapter's examination of ExpoLink, and will be further supported in what follows with discussion of the RMG Export Council, smaller firms' inability to reach international export markets was greatly exacerbated by the elite capture of resources allocated by the state and foreign donors to support export promotion. I argue this capture was largely due to the nature of the *capital* possessed by firms existing at different levels. Large businessmen possessing a wealth of cosmopolitan capital and social capital linking them to 'the state' were able to capture not only export promotion resources, but also channels of 'private sector representation,' and export markets themselves—all of which translated to increased economic capital.

content from Israel (Bolle, Prados, and Sharp 2006, 1).[197] At a basic level, Qualifying Industrial Zones resemble free trade zones—delimited spaces where infrastructure and necessary utilities are provided that exist 'fiscally outside of the customs territory of a country' (*ibid* 2). That is to say, the raw materials entering the zones from abroad as well as the products leaving the zones to be sold outside the country are exempt from tariffs and subject to simplified customs procedures. However, QIZs are unique from traditional trade zones in that their products can only be exported to the US, and authority for oversight as well as setting conditions for tariff exemption is shared between Egypt and the US (*ibid*).

The importance of the QIZ protocol for Egypt's textile and RMG industry is readily apparent. In 2006, textiles and RMG constituted approximately 98 percent of the value of Egypt's QIZ exports to the US (Hutcheson 2006, 2). During the first five years of the QIZ's activation, textile and garment exports to the US nearly doubled, reaching more than $1 billion at the end of 2011, up from around $580 million just prior to the QIZ agreement in 2004 (AmCham 2014). The deal proved quite lucrative for those involved, saving QIZ participants $30.7 million on duties in the first ten months of the agreement (*ibid*). However, as previous chapters have emphasized, exactly *who* benefited from such developments is of central importance to understanding the range of consequences of the agreement on the broader economy, particularly, in this case, on the textile and RMG industry.

* * *

4. Negotiating Networks of the QIZ Agreement

[197] The required Israeli inputs would later be reduced to 10.5 percent in late 2007 following many rounds of negotiations—discussed in the chapter that follows.

A closer look at the driving forces behind signing the QIZ agreement sheds light on the complex process of how channels of privilege are carved out, as well as the forms of exclusion that result. The story of the agreement also demonstrates an important instance of how networks exploit both *formal and informal channels* to influence 'regulatory, market, and resource allocation outcomes' (Sfakianakis 2004, 81). Indeed, negotiations surrounding the signing of the QIZ required a complex juggling of diverse interests. While discussion of the arrangement began in 1996, the protocol was not signed until late 2004. The nature of the QIZ, strengthening economic ties with Egypt's long-time foe (Israel), proved highly controversial amongst domestic political actors.

However, before the network of relevant individuals can be properly examined, it serves to take a step back to observe the arena in which they operated. As demanded by the theory of assemblage, analysis must take into account the interaction of heterogeneous components existing in a system of non-hierarchical relations (Deleuze and Guattari 1987). Such a frame allows us to consider international trade policies and human actors operating side-by-side—each component influencing and constraining the other.

4.1 Negotiating networks of international trade policies

Indeed, the signing of the QIZ agreement presents itself as a node in the wider web of developments within international trade, which, in turn, exist as part of the larger story of globalization. Most important for this particular assemblage are three agreements—two existing and one potential. First, and most directly, the QIZ protocol emerged from a 1996 amendment to the 1985 US-Israeli Free Trade Agreement (Bolle, Prados, and Sharp 2006, 1). The legislation extended Israel's duty-free access to the US

to include products coming from specially designated zones (QIZs) in either Jordan or Egypt—the two countries in the region having signed peace treaties with their controversial neighbor.[198] While Jordan inaugurated the QIZ program shortly after US Congress passed the amendment, Egypt, as noted above, took longer to warm to the idea.[199]

Egypt's eventual accession to the QIZ agreement was made viable by a dual set of developments in international trade policies—or rather, one development and one non-development. The first was the Multi-Fiber Agreement (MFA), later replaced by the Agreement on Textiles and Clothing (ATC). The MFA, brought into effect in 1974, created a quota-system placing restrictions on textile and clothing imports entering international markets. Following the Uruguay Round in 1994, it was replaced by the Agreement on Textiles and Clothing (ATC), created with a ten-year lifespan set to expire on 31 December 2004. The global quota system constrained low-cost producers from dominating international markets, thus allowing other, less competitive countries (such as Egypt) continued access to lucrative export markets (Pickles et al 2015).

The conclusion of the quota system is considered to be the most defining development in recent history of the regulatory system governing global clothing trade (see for example Gereffi and Frederick 2010; Staritz 2011). Clothing buyers in international markets, who previously faced limits on how much they could import from individual countries, could now purchase as desired from the lowest-cost producers (Pickles et al 2015). In the case of Egypt, this was particularly relevant with regard to the

[198] The agreement also included Palestine's occupied territories, where a number of Israeli firms sub-contracted labor intensive activities to benefit from lower wages (see Nugent and Abdallah 2010, 4).
[199] While the agreement also faced considerable controversy in Jordan, the relatively few actors constituting Jordan's political economic arena as compared to Egypt made the QIZ more viable. For more details on the negotiations and actors see: Nugent and Abdel-Latif 2010, 5; Azemeh 2014; Azmeh 2015.

US—Egypt's largest export market (Ghoneim and Awad 2009, 7). With quotas no longer limiting imports from countries such as China, India and Bangladesh, Egypt's textile and RMG firms would be driven out of the competition. In the absence of a preferential trade agreement, Egypt's textile and RMG industry faced its potential demise.

Parallel to the impending expiration of the MFA/ATC, a handful of Egyptian political and business elites lobbied strongly for a full Egypt-US Free Trade Agreement. Early efforts to promote the agreement were made by individuals operating through the ECES and ERF throughout the 1990s. Ahmed Galal, former executive director of the ECES (1996-1997; 2000-2005), for instance, edited multiple books on the subject (e.g. Galal and Lawrence 1998; Galal and Lawrence 2005). Meanwhile, elite business associations (namely AmCham and the US-Egypt Presidents' Council) went straight to the source, sending lobbying missions to Washington in support of the FTA.

In the final countdown to the quota-system's expiration, Egyptian lobbying for a bilateral trade agreement took on a new vigor. The US-Egypt Business Council, revived from the ashes of the US-Egypt Presidents' Council, served as the primary vessel for direct Egyptian missions to the US Congress on behalf of the FTA. We may recall from Chapter 1 that the US-Egypt Presidents' Council was established in 1994 as a central component to the US-Egypt Partnership for Economic Growth and Development—a program intended to expand commercial ties between the two countries and promote Egypt's market liberalizing reforms initiated in 1991 (U.S. Dept. 1996), which was also characterized by the select membership of 15 appointed Egyptian business elites (under Gamal's Chairmanship). When the Council's mandate expired at the end of the Clinton administration, President Mubarak met with the recently elected President Bush to renew

the body in 2001 under the title of the US-Egypt Business Council (Zulficar et al 2004).[200] In its restructured form, the Council had a narrower objective than its predecessor. For the Egyptian delegation, consisting of a mostly reshuffled stack of elite businessmen, the body became, above all, a lobby for a Free Trade Agreement between Egypt and the US.[201]

However, negotiations for the full FTA hit a number of stumbling blocks. Despite President Mubarak's optimistic announcement in March 2001 that his impending trip to Washington would produce an FTA, he returned to Egypt empty handed (Momani 2003). On the economic front, the US demanded adherence to the TRIPS agreement, which

[200] The new body was mandated to serve as 'a bilateral business council to facilitate private sector business growth in Egypt and to strengthen trade and investment ties between [Egypt and the US]' (Milner et al 2003, 26); See also Zulficar et al 2004. The feigned inclusivity of previously discussed USAID initiatives (such as the FEI and ExpoLink of Chapter 4) can be seen yet again in the new Business Council. Contrary to the Council's mandate, stipulating that members 'should comprise a cross-section of each country, and include small, medium and large firms' (Milner 2003, 26), all of the Egyptian members (and most of the Americans) were multi-million dollar business elite. Egyptian membership consisted of only 13 individuals, who like the top FEI board, were appointed by Egypt's Ministry of Economy and Foreign Trade (which under the Businessman Cabinet would become the Ministry of Industry and Trade). Many of the core individuals from the earlier USAID projects also retained their roles as *mediators* (Latour 2005) with the US in the new Council. Mr. Zorba was appointed Co-Chairman (2001-2009) (his American counterpart: Steve Farris, CEO of Apache Corporation), and would conduct his US missions alongside notorious members of the Gamal cohort, most notably Ahmed Ezz, Raouf Ghabbour, Shafik Gabr, Moataz el Alfi and, future Businessmen Cabinet member, Mohamed Mansour (For a full list see Milner 2003, 18). We may recall, Zorba's appointment to US-Egypt Business Council Chairman followed his earlier rise to top positions in USAID projects, for example: after the FEI's 1997 transition, Zorba was brought to the FEI executive board and the position of Textile Chamber Chairman, and also began a well-funded partnership with USAID to establish ExpoLink. The question of greater inclusivity was raised in a 2003 review survey of the Council proposing broader membership participation. The majority of members rejected the proposal. As one American member argued: 'The best route to the key decision-makers at the Egyptian side is keeping the Council small and distinguished' (Milner 2003, 22). Another offered: 'The key to success is to retain the key Egyptian business leaders, as is the case today. By expanding the forum, I am certain we would lose the key participants from the Egyptian side, who are critical to the success of the Council' (*ibid*).

[201] As one US member complained in a 2003 USAID survey of Council activity: 'Originally we got involved because it was the Presidents' Council. At the time the focus was much broader than the US Egypt Free Trade Agreement. Once the Council began to concentrate on the FTA, it became a lot less important to my company. We have felt it is now one-dimensional. . .' (Milner et al 2003, 20); In another response to a question gauging the willingness for members to finance the Council after the expiration of USAID funding one US member commented: 'We would be much more interested if the Council's focus on FTA were broadened to include other initiatives' (*ibid* 21). Another US member's opinion: 'The current council has been completely co-opted by the Egypt members to advocate their interests…It has become a single-issue organization to assist the Egyptians to get an Egyptian only Free Trade Agreement' (*ibid* 21).

would protect the patent rights of US pharmaceutical companies operating in Egypt (*ibid* 96); And US businesses complained of continued restrictions on importing US poultry,[202] along with Egypt's generally 'overly burdensome regulations' (Embassy Cairo 2006a). Meanwhile, in the US domestic realm, some businessmen and political representatives rejected the idea. For example, as one US member of the US-Egypt Business Council expressed in a USAID survey, voicing opposition to the FTA: 'As a defense contractor, we are not interested in destroying jobs in the USA. For example, if the textile industries in Louisiana were hurt by Egyptian imports, it would hurt our shipbuilding business in that state' (Milner et al 2003, 20).

Additionally, on the political front, the Egyptian government was not satisfactorily progressing towards 'democracy' as prescribed by the Bush administration's 'democratizing mission.' Much to the dismay of Mr. Zorba (in his capacity as President of the US Egyptian Business Council), the 'US preoccupation with Ayman Nour'—Mubarak's 2005 presidential contender who had been sentenced to five years in prison shortly thereafter—was hampering the FTA process (Embassy Cairo 2006a). So too was the delay of Egyptian municipal elections, which Zorba argued 'did not matter to the Egyptian people' (*ibid*).

With US Congress showing no signs of adopting the full bilateral agreement in time for the expiration of the MFA/ATC, the QIZ agreement became the only hope for textile and RMG exporters to the US to preserve their market, and the lifeline of their companies. While Congress blocked the FTA on the economic grounds of insufficient benefits offered to US businesses, and the 'moral' grounds of Egypt's failures in political

[202] We may recall Mr. Alfi, CEO of Americana, and Egyptian poultry monopolist stood at the center of many of the Businessmen Cabinet PPPs.

liberalization, the QIZ agreement carried no such conditions. As far as the RMG team's US counterparts were concerned, the QIZ was first and foremost a project to 'help broaden support for the Middle East peace process' (Bolle, Prados, and Sharp 2006, 1)—or in other words, to support their longtime Israeli ally. The agreement was a 'geostrategic' decision, not an economic one—according to one top US official: 'the most generous US preference program' (Embassy Cairo 2009f).[203]

The unique nature of the QIZ agreement offered Egypt's RMG exporters a loophole for working around the noncompliant US Congress that had been impeding their lobbying efforts for the full FTA. Congress had already passed the 1996 amendment to the US-Israeli FTA, which authorized the US President to create QIZs in Jordan and Egypt. All that was required to initiate Egypt's participation in the program was the compliance of the US Trade Representative (USTR), Robert Zoellick, to whom President Bush delegated the issue (*USTR* 2004c).

Within weeks of the conclusion of the quota-system, a negotiation team comprised of a handful of RMG business elites secured the signatures of Egypt's executives. On 14 December 2004, President Mubarak and Minister Rashid met with US Trade Representative Zoellick, and Israel's Deputy Prime Minister and Minister of Trade, Ehud Olmert, who had travelled to Cairo to sign the agreement—bringing the deal into effect without approval from either US Congress, or the Egyptian Parliament (*USTR* 2004). In order to understand how the small cohort of RMG elites managed such a politically sensitive move (formalizing an economic partnership with Israel), it serves to take a closer look at the portfolios of *capital* possessed by those involved.

[203] The comment was made by Assistant US Trade Representative for Textiles, Gail Strickler, whose role in QIZ developments will be discussed in the subsequent chapter.

4.2 Negotiating human networks

(1) 'The Private Sector': Shillat el QIZ, or the QIZ Gang

The central actors responsible for securing Egypt's eventual accession to the QIZ agreement were RMG exporter, Galal el Zorba, along with his team of garment elites whom we may recall from previous discussions: Mohammed Kassem and Alaa Arafa, the latter in the capacity of Vice Chairman of the QIZ negotiation team.[204] We may recall Mr. Zorba, known within the industry as *Mohendes el QIZ* (Engineer of the QIZ),[205] also served as President of the US-Egypt Business Council, in which capacity he began his lobbying of US Congress for the failed US-Egypt FTA, before turning to the QIZ alternative. For a brief reminder of the team's earlier cooperation in the reform era business-state assemblage: Mr. Zorba served alongside Kassem, Arafa and Rashid on the board of the Gamal-era ECES (est. 1992) as Vice Chairman.[206] Zorba was also inaugural Chairman of ExpoLink (est. 1997), co-founded by Arafa, with Kassem as his Vice Chairman. Together, the bodies received a cumulative $42.7 million in USAID start-up funds (Wellons et al 2005; ECES 2009), endowing the team with substantial links to early rent streams of US capital.

Along with their US-ties to cosmopolitan capital of the *economic* variety, collectively, the team cultivated decades worth of high-level *social* cosmopolitan capital, offering them familiarity with US channels party to the QIZ agreement. We may recall

[204] An additional RMG manufacturer, Khaled el Bihaa as well as one top textile producer, Mr. Abu el Sabaa', were also on the core lobbying team alongside Zorba, Kassem and Arafa. However, according to numerous independent contacts within the industry, Zorba, Kassem and Arafa were the central players.
[205] According to the executive director of the Chamber of Textiles: 'He [Zorba] is the one that drew up the agreement, then it went to the government, and the government signed it—with the US, Egypt, and Israel' (Author interview 15 February 2015).
[206] Zorba is cited as vice chairman to Taher Helmy in a 1998 ECES publication—a book co-edited by Ahmed Galal that argued strongly for a full Egypt-US FTA, entitled: *Building Bridges: An Egypt-US Free Trade Agreement*.

Mr. Kassem's posting in the DC-based Egyptian Embassy as commercial attaché (1980s). We may also recall Mr. Zorba had been invited to the official state dinner held in Washington, DC to celebrate the signing of the Middle East Peace Treaty in 1979 ("Guests" 1979), and was subsequently appointed to the US-Egypt Presidents' Council (est. 1994) as one of the 15 elite members, along with Mr. Rashid under Gamal's chairmanship, which offered regular visits to US Congress. These appointments were followed by Mr. Zorba's tenure as President of the US-Egypt Business Council in 2001, granting a number of additional visits to the US capital.

As for the team's domestic 'state' connection, Mr. Zorba provided the strongest link to the new Businessmen Cabinet through, we may recall from the previous chapter, his old family friend, the newly appointed Businessman Minister of Industry and Trade, Rashid.[207] Meanwhile, Mr. Kassem—former 'organization specialist' in the heart of Egyptian state bureaucracy (the GAOA) in the 1970s, followed by more than a decade in the Ministry of Foreign Trade as commercial attaché, retiring as a 'commercial counselor'—carried with him his connections to the old guard bureaucracy (Kassem n.d.). For his part, Mr. Arafa offered the military link—his father, Ahmed Arafa, former officer in the Egyptian Air Force.[208]

Behind the scenes, an additional 'public' representative worked in close partnership with the team, rounding out the essential 'state' contacts: Mansour

[207] This is according to a top advisor in the Ministry of Industry and Trade, who is deeply connected to the web of actors under consideration in this study. She notes the friendship in a an academic paper that evaluates the 'positive outcomes' of close partnerships between the public and private sector (Abdel Latif and Schmitz 2009, 24); The paper does not provide names, but refers to their positions at the time: 'the Minister of Trade and Industry [Rashid] and the Chairman of the Federation of Egyptian Industries (FEI) [Zorba] are old friends at individual and family levels, both born in the same city (Alexandria)' (*ibid*).
[208] This was confirmed interdependently by a number of my sources close to Arafa.

Mohammed,[209] then Chief of the Economic Wing in the *mukhabarat,* or Egyptian Intelligence Directorate. While the former group's interest in promoting the agreement is readily apparent, that of Mr. Mansour is perhaps less so. Sitting in his living room in silk robe and matching slippers, he described to me the long road to signing the agreement and his 'patriotic concern' for ensuring its success.

(2) 'The Deep State': Mansour Mohammed, Former Mukhabarat Chief of Economics

Mr. Mansour, five years retired from his position in the *mukhabarat*, did not like to reflect on the past. He was doing his sister a favor by meeting with me in his comfortable apartment, sitting in the shadow of the high walls surrounding the Military College [*el Kulliyya el Harbiyya*]. As his maid brought tea and platters of fruit, Mr. Mansour explained his role as Chief of the Intelligence Agency's Economic Wing. Responsible for protecting 'the people' [*el sha'b*] and preserving 'the state' [*el dowla*], Mr. Mansour was tasked with monitoring the well-being of the business elite, who, as he described it, were an important source of 'national wealth.' Thus, it was his role to 'eliminate any impediments or difficulties that faced the businessmen with respect to the country's laws.'

He provided by way of example the 'issue of the QIZ:' 'The state [*el dowla*] completely rejected this [agreement]. Personally, I had the role to try to prove to the political leaders—that is, President Hosni Mubarak and groups in the government—that it was necessary to sign on.' Mr. Mansour explained that numerous rounds of negotiations were required to secure executive approval due to the sensitive nature of all things surrounding Israel. Over the course of the interview, there emerged three distinct reasons

[209] Name changed for confidentiality.

for why he was so persistent in ensuring activation of the QIZ agreement despite such internal dissent.

The initial answer was an unsurprising diplomatic response: 'The QIZ protocol is a good thing for the country and for the workers also. The American market is incredibly important to promote Egyptian exports, and thousands of workers depend on this.' As an agent of the security services, his job was to look after 'the interest of the people' [*maslaHat el sha'b*] at the imagined macro-level. Indeed, the official line in support of the agreement espoused by the Ministry of Industry and Trade was that it would prevent the loss of 150,000 jobs in the textile and garment industry (Bolle, Prados, and Sharp 2006, 4).[210]

Throughout the rest of our conversation, however, additional reasoning surfaced. At the meso-level, demonstrating the intertwined interests manifested in informal networks, he envisioned his job as protecting the country's business sector: 'We had to sign on so that the factories and companies of our businessmen who depend on the American market wouldn't be hurt.' And finally, a micro-level justification emerged: 'I also had many factories… and America, for me, was an enormous market. So we would go with our products and they would exempt us from tariffs. And when they exempted me from the tariffs, my shirts became a very reasonable price.'

Mr. Mansour explained how this was a necessary action following recent developments in the global economic landscape. 'Take note!' He cautioned: 'There is a

[210] While the Egyptian government has not published figures regarding QIZ employment creation, this estimate is unequivocally high. By 2010, only 200 companies were exporting from QIZs, demonstrating no interfirm linkages with smaller firms (Nugent and Abdel Latif 2010). Additionally, employees are not necessarily Egyptian. As one Turkish businessman operating in a QIZ noted, he preferred to import labor (in his case from Bangladesh) rather than hire Egyptian workers.

ghoul that has appeared in the world that has beaten down all of the world's economies. This ghoul is called China.' Referring, indirectly, to the conclusion of the previously outlined international Agreement on Textile and Clothing (which we may recall heralded the end of the international quota system in 2005) he continued:

> In the shadow of commodities from China and India t-shirts are LE 5, so of course American buyers are going to send my LE 30 t-shirt back to Egypt. If I have to pay the customs on my t-shirt, my market is gone and I won't be able to compete at all. I'll be kicked out of the competition.

As Wurzel (2004) notes, economic actors can play many roles simultaneously: 'a middle- to high-ranking politician or bureaucrat whose interest should be the maintenance of the system dominated by the state can at the same time be engaged in substantial private sector activities' (112). Indeed, as an agent of the intelligence services, Mr. Mansour had an interest in protecting the system (the regime) that provided him his livelihood. However, at the same time, his personal economic interests motivated his decision to push for a policy that would be deeply controversial, potentially compromising the stability of the regime.

Of equal importance, we see how Mr. Mansour's actions were not merely self-serving, but rather deeply intertwined with the interests of others—a clear demonstration of how 'economic behavior is socially situated and cannot be explained by abstracting actors from their social contexts' (Granovetter and Swedberg 1992, 9). Indeed, Mr. Mansour was only able to effectively push for these policies because he was deeply embedded in *networks* with the country's top businessmen sharing similar interests—possible due to his position as a state official in the *mukhabarat*—as well as networks connecting him to the top authorities in the state.

Mr. Mansour explained the nature of his interaction with the private sector, limited to 'the top 50 businessmen. The pioneers. The elite in each sector.' He continued by way of example:

> Ahmed Ezz [steel] and Abou el Enin [ceramics, tourism] and Farid Khamis [textiles (carpets), construction]. Important people. Those were the only ones I would work with. I wouldn't work with someone who opens a car shop, for example. But I'd deal with Abou Ghali in the automotive sector; Hatem el Gabali [Businessman Minister of Health (2005-2011)] in the health sector. For all of them I would make their voices heard to the President in person. I was the only intermediary between businessmen and the President of the country.[211]

Communication with the 'top 50' occurred on a regular basis through informal channels. As Mr. Mansour explained:

> We would be in touch every day. Every day there would be direct phone calls. Or meetings in person. Every day . . . Most of my meetings I wouldn't do in my office or the office of the businessmen. Why? It just wouldn't be right. It wouldn't be right to bring a businessman to the building of the intelligence agency. And it wouldn't be right for me to go to his office and sit in front of him like a student. He would be embarrassed! . . . Instead, I would meet him in the Sheraton, in the Fairmont, the Meridian, downtown. And we'd talk about various issues and solve the issues. And that would be better for him and for me.

Occasionally, meetings would also take place through more formal channels, such as when Mr. Mansour would be personally invited to attend business conferences and seminars—in particular those of the Egyptian Center for Economic Studies (ECES) from 'the days of Taher Helmy'—a period in which Mr. Zorba served as Vice Chairman, accompanied by Kassem, Arafa and Rashid on the executive board.[212] However, as Mr. Mansour revealed, even these formal arenas were not devoid of secrecy surrounding the

[211] While relevance of these connections cannot be explored given the scope of this dissertation, they are noteworthy examples demonstrating the small space of policy networks that exist across sectors and are ripe for further study. Additionally, as noted in previous chapters, Mr. Mansour's position as exclusive intermediary between businessmen and President Mubarak is a bit embellished. Many, like Khamis, had more direct routes, conducting their own private meetings with the President.

[212] Recall Taher Helmy was co-founder of the ECES and close confidant of Gamal Mubarak. A lawyer, Mr. Helmy was also one of the main participants in drafting legislation for Egypt's 1991 privatization program (Grimaldi and O'Harrow 2011).

nature his role as a *mediator* (Latour 2005) between 'business' and 'state.' He noted: 'Maybe if there were foreigners there I wouldn't say that I was a general in the intelligence agency… We would write on my ID that I was a consultant, an advisor, something like that.'[213]

In addition to attending these elite gatherings organized by the ECES, Mr. Mansour also had the responsibility of cultivating relationships with relevant actors in the nominally inclusive 'quasi-governmental' business associations: the Federation of Egyptian Industries (FEI)—of which Mr. Zorba was President (2004-2013), appointed by Minister Rashid—and Federation of Egyptian Chambers of Commerce (FECC),[214] as well as their governmental 'partner,' the Ministry of Industry and Trade (Minister Rashid). These close contacts cultivated over the 1990s and early 2000s translated into the partnerships that would be central to QIZ negotiations. Mr. Mansour described how he met with core actors such as Zorba, 'in his capacity as President of the FEI,' and other 'major exporters' from the FEI and AmCham, finally getting Minister Rashid on board before presenting their case to President Mubarak.

While details of the internal negotiation process remain opaque, the nature of the formal and informal encounters facilitating relations between 'public' and 'private' representatives sheds light on the 'multiple channels through which both identities and interests can be translated into action during struggles over economic reform' (Wurzel 2004, 103). Mr. Mansour, both a 'public servant' and a 'private sector' participant,

[213] While Mr. Mansour did not elaborate on his desire to hide his position as intelligence agent from foreign participants, it demonstrates the complex layers of domestic business-state networks and their interaction with international interlocutors—raising questions ripe for further study.
[214] Recall, the FEI and FECC were intertwined in a thick web of overlapping elite businessmen leadership beginning in the 1990s. One quintessential *mediator* can be found in the person of Alaa Ezz—'chief advisor' to FEI Chairman Zorba, and secretary general of the FECC among many other posts.

utilized his networks across the juridical division of the public and the private to achieve an end beneficial to him and some of Egypt's most important economic players.

(3) Cosmopolitan Connections: Early seeds of the QIZ

The QIZ saga began well before the story outlined above. As previously noted, the initial idea for the agreement (introduced in 1996) had been rejected by the Mubarak administration due to its politically sensitive nature. However, as described in earlier sections, a confluence of developments made the agreement viable by late 2004. In the international arena, this took the form of the imminent expiration of the MFA/ATC in 2005; And on the domestic front, the small cohort of elite RMG producers experienced increased political sway with the recent inauguration of the Businessmen Cabinet's Minister of Industry and Trade, Rashid. These factors help explain Egypt's eventual participation in the scheme. However, in order to understand the inception of the unique trilateral agreement itself, we must return to the earliest components of the *business-state assemblage* involved in the QIZ project. Here we find a new set of actors—neither Egyptian nor American, expanding the web of networks further.

The main drivers behind the original idea to create special industrial zones in Jordan and Egypt were two elite businessman: an Israeli, Dov Lautman, and a Jordanian of Palestinian descent, Omar Salah. Lautman a leading garment manufacturer, owned Delta Galil Industries, boasting sales of $817 million in 2012, with its principle clients mass-buyers such as Wal-Mart, Victoria's Secret, Primark and Marks & Spencers (Azmeh 2014). Salah, an entrepreneur in his own right, created Century Investment Group (CIG) specifically to broker business deals following a new round of peace

accords in 1995 (Oslo II), and would serve as Lautman's partner for Delta Galil's investments in Jordan (Azmeh 2014, 61).

Both men's significant capital wealth also extended beyond the economic realm—Salah, described in a Wikileaks cable from the US embassy in Amman as the 'QIZ forefather' (Azmeh 2014, 61), possessed strong ties to the Jordanian king and government; and Lautman served as Israel's Chairman of the Coordinating Bureau of Economic Organizations in the 1980s and early 90s before becoming Prime Minister Rabin's Special Emissary for Economic Development (1993-1995) ("Delta Galil" 2016).

Lautman's business expansion into Jordan and Egypt began in 1995, following the Oslo II peace agreement, when he established garment assembly factories in the two countries to take advantage of lower labor costs. Hoping to maintain the tariff-free unlimited access to the large US market—granted to him by the US-Israel Free Trade Agreement in 1985—Lautman teamed up with Salah to campaign for an extension of the bi-lateral FTA. The QIZ, as previously noted, would not be a stand-alone arrangement, but rather an addendum to the 1985 US-Israel FTA.

In Jordan, the two men achieved relatively quick success, and in 1998 the first QIZ opened in the Irbid-based industrial park—home to Lautman and Salah's Delta Galil and CIG. US Trade Representative, Charlene Barshefsky, lauded the pair's role in securing the agreement, expressing her appreciation at the inauguration of the first Qualified Zone: '[W]e are fortunate to have visionaries like Omar Salah of Jordan and Dov Lautman of Israel, the businessmen who organized the Irbid park. They have not lost sight of the goal of peace and are working every day to make it a reality' (Cited in Azmeh 2014, 62).

Integrating Egypt

Mr. Lautman's centrality to securing Jordan's QIZ agreement reappears during the Egyptian expansion six years later. In October 2004, Zoellick (Barshefsky's successor as US Trade Representative) visited Jerusalem to meet with Prime Minister Olmert, who introduced him to a small group of Israeli businessmen, Mr. Lautman amongst them. As Zoellick explained during a press conference at the December signing—where Lautman was also present as part Olmert's delegation of Israeli businessmen (Muscal 2004)—the businessmen in attendance during his October visit strongly advocated for the QIZ (*USTR* 2004b).

This Israeli support was essential to securing US authorization, which we may remember did not require approval by Congress, but rather had been delegated to USTR Zoellick. As Zoellick explained following the signing:

> [W]hen my Israeli and Egyptian colleagues, a few months ago [September 2004], started to complete this agreement, then I started to work with them to try to shape it. And so today I signed a Federal Register Notice and as soon as that is published, this goes into effect. (*USTR* 2004b).

The incentives for Mr. Lautman's promotion of the project are clear. The QIZ agreement granted Lautman the same privileged access to US markets for products assembled in his Egyptian factories that he had experienced for his products manufactured in Israel under the bilateral FTA. Egypt also offered the added incentive of providing low-cost rent and labor for Delta Galil's low-value added activities. As Lautman had previously explained to popular Israeli newspaper, *Yedioth Ahronoth*, regarding his decision to base RMG factories in Egypt: 'You can't employ seamstresses in a Western country like Israel. It's too expensive… The work of the seamstresses abroad allows us to employ thousands of designers and professionals in Israel and pay them a good salary' (Goldstein 2011).

With his Egyptian operations, Lautman grew to become, alongside Arafa and Zorba, one of the top RMG producers in Egypt. However, few additional Israeli manufacturers expressed a desire to set up shop in the country and bring the increased FDI and jobs promised during early QIZ lobbying. A year on from the original signing, Lautman's Delta Galil represented one of only two Israeli-owned factories of significant size. The other, Bagir, an Israeli garment producer, had established earlier ties with one of our lead Egyptian *mediators*, Mr. Arafa. In 2000, Bagir entered a joint venture with Arafa's Port Said Garment Company, establishing the Middle East Tailoring Company (METCO) (Piotrowicz and Cuthbertson 2015, 266).

Additional Israeli businessmen who rallied for Egypt's QIZ inclusion were less keen on investing in Egypt and more interested in what the requirement of Israeli inputs would mean for their export sales. As Ali Awny, director of the QIZ Unit (which represented the Egyptian side of the joint Egyptian-Israeli committee responsible for managing the qualified zones)[215] told *Daily News Egypt* in December 2005: 'The only query I get from Israeli businessmen is about supplying Israeli content…I haven't heard anything about investment' (*Daily News Egypt* 2005). Others, alongside Kassem, were interested in serving as intermediaries, utilizing their American connections to source from Egyptian companies and sell to buyers in the US.[216] These incentives offered to Israeli businessmen were essential not only for securing the agreement itself, but also for the subsequent development of the scheme (discussed in the following chapter).

[215] The QIZ Unit is part of the Ministry of Industry and Trade and will be discussed in greater depth in the chapter that follows ("MOTI" 2016b).

[216] This fact was expressed by a number of my medium-sized contacts who lacked connections to US networks and were required to go through costly intermediaries to reach US buyers. The Ministry of Industry and Trade also offered no help on this front. As one contact explained: 'The Ministry could help you find Israelis to buy from, but gave me no Americans to sell to' (Author interview 14 April 2015).

* * *

5. Assessing the QIZ Protocol: Modes of SME Exclusion

Throughout our interview, Mr. Mansour repeatedly emphasized the broad national benefit of the QIZ agreement. However, upon closer examination, such claims of inclusivity prove dubious. Empirically, it is clear that particularly large firms experienced the preponderance of QIZ benefits. During the first five years of the agreement (2005-2009) approximately 95 percent of QIZ exports came from companies of more than 200 workers (Nugent and Abdel-Latif 2010, 25). That is to say, a mere five percent of firms benefiting from increased exports fell into the 'SME' category. What is more, the vast majority of beneficiaries were of the ultra-large variety—with 50 percent of exports from companies with over 2,000 employees, and around 25 percent from firms with more than 3,000 workers (*ibid*).

Additionally, the number of participants in QIZs also suggests a high level of exclusivity. Only around 200 companies (some of foreign origin such as Lautman's Delta Galil as well as a number of Turkish companies) exported from QIZs. What is more, most of these companies were early participants in the program, with few new additions throughout the 2000s (*ibid*). That is to say, the original beneficiaries of the QIZ agreement—typically large, already exporting firms—continued to experience gains with no evidence of advantages to smaller firms.

Not only were SMEs unable to achieve direct access to the QIZ exporting benefits due to high barriers to entry, but there is also nothing to suggest they enjoyed indirect positive externalities. Indeed, no sub-contracting agreements nor interfirm linkages existed between large QIZ participants and smaller domestic firms (*ibid* 26). Had it been

the case that large firms increased their exports while integrating smaller firms into their circle of success, claims to national benefits of QIZ might have been more credible. Instead, 'the same large companies simply became larger to meet higher exports' (*ibid*).

Meanwhile, interfirm linkages existing amongst textile producers using locally sourced material suffered. Similar to the earlier mentioned national reduction of tariffs on textile imports by Presidential Decree in 2004 and 2007, the QIZ protocol favored the assembly of ready-made garments at the expense of textile production using locally sourced materials. Indeed, despite aggregated assessments of benefits for 'the textile and garment sector,' between 2005 and 2009 only around .47 percent of QIZ exports were comprised of yarn and fabrics (i.e. textiles), while ready-made garments accounted for 95 percent of QIZ exports, and home textiles comprised the remaining 4.6 percent of QIZ exports (Nugent and Abdel-Latif 2010, 26). The acquisition of cheaper textile inputs after tariff exemptions facilitated RMG firms' importing of raw materials, thus further weakening incentives and/or opportunities for domestic interfirm linkages—most directly between garment producers and textile companies, and indirectly between textile companies and local manufacturers of various inputs.

As one contact (Abdel Rahman), in the process of closing his medium-sized textile firm, explained:

> Not less than ten factories I dealt with will probably go out of business because we're closing—local producers of sewing machines, packaging, oil for the machines, many. We've built personal relations over the years and I know they're suffering because we're suffering.[217]

[217] Although Abdel Rahman did not attribute his closure to the QIZ agreement in particular, he pointed to consequences of the sector's structural preference for RMG exporters as his major impediment: (1) tariff reductions, and (2) smuggling and fabric dumping, discussed in further detail below.

This failure to integrate smaller firms into the web of large beneficiaries of the QIZ program can be attributed, in large part, to the details of the agreement itself. As Pickles et al (2015) suggest, it is through the complex details embedded in preferential trade agreements that the politics of policies play out (394). Of particular relevance for the QIZ agreement is the liberal nature of its rules of origin—or rules governing the sourcing of inputs. The QIZ is fairly unique amongst US trade agreements in this sense—one of the very few that does not demand adherence to the 'yarn forward' rule, which requires that products use yarn (and all subsequent inputs) from the exporting country (or the US) in order to qualify for duty-free access to US markets (Azmeh 2015, 479).

Instead, the QIZ requires only that 35 percent of processing costs—which include wages, research and development, and overhead, in addition to input materials—come from participating countries (Egypt, US or Israel), with at least 10.5 percent from Israel (Bolle, Prados, and Sharp 2006, 2).[218] This meant a mere 24.5 percent of costs was required to come from direct Egyptian inputs (again, including wages and overhead). Large RMG exporters were thus allowed to source the vast majority of their inputs from low-cost producers such as China and Bangladesh (tariff-free), assemble the material, and export it to the US markets (customs-free).[219] In the absence of requirements or incentives to integrate smaller Egyptian firms or local textile producers, these firms were allowed to maintain their closed circle (*diera mughlaqa)*, benefiting from a trade agreement tailor-made to fit their particular enterprises.

[218]This was reduced from11.7 percent in 2007.
[219] Meanwhile, the EU FTA imposes far greater demands regarding rules of origin for Egyptian RMG.

If we recall the main drivers behind the QIZ negotiations, this lack of concern for genuine broad inclusion should not be surprising. Indeed, Arafa, Kassem, and Zorba of the RMG business elites were quite well-served by the QIZ agreement. Mr. Arafa—Egypt's largest RMG businessman, representing ten percent of the country's RMG exports (Global Presence 2012)—saw his gross profits for apparel nearly double within the first few years of the QIZ agreement, from $12 million in 2005 to $20.89mn in 2006, and $22.42mn in 2007.[220] His textile operations saw a similarly dramatic increase, from $2.72mn in 2005 to $6.18mn the subsequent year. What this meant in terms of overall reported gross profits was an increase of nearly $30mn for Arafa Holding between 2005-2008.[221]

Meanwhile, for Mr. Kassem—who is not an RMG manufacturer, but rather a *mediator* between Egyptian RMG sellers and the US market—the QIZ also maintained access to his most lucrative market. His World Trading Company serves as Egypt's top buyer for major US department store brands, such as Levi's and Liz Claiborne (Salinger 2008, 34), for which he sources from Egypt's largest RMG producers, most notably Mr. Zorba. As for Mr. Zorba, according to his son, Waleed el Zorba, who has taken over as CEO of the family's Nile Clothing Co., the QIZ was 'a life-saver' for his business—the US market, destination of 80 percent of his exports (Worldfolio 2015).[222]

* * *

[220] Calculated from the financial statements of Arafa, representing figures from the 2005 and 2007 financial years (31/3/2005-31/3/2006; 31/3/2007-31/3/2008).
[221] Not all of this profit increase can be attributed to the QIZ. We may recall the Euro-Mediterranean Partnership agreement was signed in 2005, granting customs-free access to the EU (under certain rules of origin conditions), which served as Arafa's largest market (Fayed 2010).
[222] Waleed Zorba explained the importance of such market access: 'When you sell to Walmart, you are selling [to] 3-4,000 of the biggest stores in America. Or if you sell to Levi's, they are selling to all of the department stores across America' (Worldfolio 2015).

6. Feigning inclusivity: Negotiating Numbers and Displacing Responsibility

Unsurprisingly, this bias towards large firms was not widely advertised. Indeed, the idea that the QIZ agreement was adopted for *maslaHit el sha'b* [the interest of the people] was sustained via a range of mechanisms at both the micro-level of company participation as well as the meso-level of Zone creation. As an AmCham brochure posits: 'The QIZ protocol has encouraged Egyptian companies without any previous export experience to enter the U.S. market' (AmCham 2012, 3). However, rather than provide any evidence of new exporters emerging as a result of the QIZ protocol, the publication merely points to the increased number of *registered* companies, making no mention of how many were *actually exporting*. As closer examination reveals, although during this period there were 800 registered companies, as noted above, only around 200 companies participated (Nugent and Abdel-Latif 2010, 26).

Such a feigned inclusivity can also be seen in the number of spaces designated as QIZs versus the number of actually exporting Zones. By early 2006, of the 16 Qualifying Industrial Zones that existed, a mere six of them accounted for 80 percent of QIZ export, while the remaining ten exhibited little export activity (*ibid*). This disjuncture between nominal participants in the protocol and actual beneficiaries can be interpreted in similar vein to the previous chapters' *qisas el nagaH* ('success stories'). In order to justify the persistence of the QIZ agreement, a semblance of inclusivity had to be created.

The necessity of such ostensible inclusion can be seen in the case of the Gharbeyya Governorate, which had areas designated as QIZs in October 2005 (Ministry of Industry and Trade n.d.). The governorate is home to Mahalla el Kubra, a historical textile city with a reputation as a hub of strikes and labor activism. One contact (Amr

Moustafa), owner of a medium-sized textile firm in Mahalla, explained how pressure from the labor sector succeeded in achieving QIZ status:

> After the initial QIZ protocol was applied to newer industrial zones, workers in Mahalla made a big sit-in because they wanted QIZ too. But [Minister] Rashid was looking towards attracting new investment. Mahalla is a very old industrial area and there's no space for new investment. But eventually the strikes got the government to make QIZs in Mahalla as well.

However, if we look at the distribution of QIZ exports we see that a mere 2.7 percent came from all of the Gharbeyya Governorate between 2005-2009 (Nugent and Abdel-Latif 2010, 26). This suggests a process not unlike the partial implementation of reforms following broad-based negotiations—the immediate demands of the striking laborers nominally met, while their actual incorporation as beneficiaries to the QIZ seems to have been postponed indefinitely.

Finally, feigned inclusivity can also be found in the forms of representation available to potential participants. As early discussion of the agreement revealed, participation in the QIZ program required costly initial commitments (El-Bakry 2005). In an interview with AmCham's *Business Monthly* magazine, an official from the Ministry of Industry and Trade addresses the concern, remarking that big companies, with extensive knowledge and experience in exporting as well as ample resources, will be able to participate in the QIZs with ease. '[A]s for the smaller companies,' he continues, 'we will always be there to provide them with the support, but the initiative has to come from within the sector' (*ibid*). In order to consider the available pathways for demonstrating such initiative available to the smaller companies, it serves to examine the central body 'representing' Egyptian industry, large and small, bringing the Federation of Egyptian Industries (FEI) back to the stage.

* * *

7. Capturing Representation: Return of the Public Private Partnerships

7.1 The Federation of Egyptian Industries (FEI)

The FEI served two parallel functions working against the interest of capital-poor firms: (1) directly marginalizing them within the organizational structure; while simultaneously (2) allowing the Ministry to displace government responsibility for ensuring egalitarian access to trade policy benefits, such as the QIZ agreement. 'The sector,' ostensibly represented by the FEI's Chamber of Textiles is posited to be the appropriate advocate for smaller firm inclusion. However, as discussed in previous chapters, there existed no evident institutional mechanisms allowing for smaller firms to voice their concerns. As with the FEI's executive board, the Chambers' leadership structure is composed in a top-down fashion with the Chairman and four of each Chamber's board members appointed by the Minister of Industry and Trade.[223]

Instead, with USAID's early assistance in the institutional redesign of the FEI (Chapter 4), followed by the inauguration of the Businessman Cabinet, elite RMG businessmen came to dominate both the FEI's executive level representation, as well as representation at the sectoral level of RMG and Textile. Zorba, who we may recall had assumed the post as Chairman of the Textile Chamber during the FEI's 1997 leadership transition, would pass the position to friend and business partner, Kassem, when Zorba was appointed FEI Chairman in 2004. This early monopolization of the Textile/RMG

[223] The remainder of the board is elected by the broader Chamber members, nominally exceeding 3,500 individuals. The FEI has mandatory membership for firms operating in the formal sector. As one small textile firm owner replied when I asked him if he was a member: 'Yes, which means every year we pay them money. They make a license for us and we organize paperwork for them each year. Routine things [*Hagat routenaya*]. You know, papers [*owraa'*].'

space would reach full institutional blossom with the ultimate break-up of the two sectors into distinct chambers, leaving the latter defunct.

(1) The FEI's Chamber of Textiles

The FEI's Chamber of Textile Industries was responsible for 'looking after the interests of the textile and clothing industries in Egypt and representing them in front of the responsible authorities' (*FEI* 2006).[224] However, the two previously noted trends amongst QIZ beneficiaries reappear in the channels of ostensibly inclusive industrial representation. Through the persons of Zorba and Kassem, we find both at the executive level of the Federation, as well as in the lower tiers of sector-specific representation, a bias for: (1) RMG manufacturers with high import content, and (2) large firms.

An example of the direct impact of these networks in determining *who* was represented 'in front of the responsible authorities' can be seen in the case of Egypt's well-reported smuggling issue.[225] Shams El Kady, owner of a medium-sized textile company, described his frustration with an inability to compete in the presence of widespread smuggling and fabric dumping.

> If I'm a buyer, I go to China and get rolls of fabric. I ship it to Dubai—Jebel Ali—I unroll the fabric and inside I put whatever I want. I put Viagra, USBs, little things. Then I roll it back into the fabric and the cartons and fabrics are marked with UAE and it says that they are coming from Jebal Ali. The buyers take the stuff that's inside, which was their main goal, and then they sell the fabric for less than half of what I sell, because they don't really need it. It would be one thing if they sold it for 20 percent less, but no! They sell it for less than 50 percent.[226]

[224] Translation from Arabic. The Chamber of Textiles exists as one of the Federation's 16 sector-based chambers.

[225] As one contact, a Turkish businessman operating in Egypt, put it: 'Here, they import elephants and call them ants.'

[226] Egypt and the UAE both signed on to the Greater Arab Free Trade Area (GAFTA) program in 1997, allowing for tariff-free trade between member countries in an effort to boost pan-Arab trade. Jebel Ali is a major trading port in Dubai and also home to the UAE's largest free zone (JAFZA 2013). The difficulty of authenticating origin of goods imported into Egypt from Dubai has been previously highlighted as a problem with the GAFTA program (Kheir-El-Din and Ghoneim 2005). And yet, Egypt remains amongst

When I asked Shams if there were any forums in which he could bring this to the attention of the government, he noted that a complaint was made through the Chamber of Textiles:

> This issue was discussed in front of [Minister] Rashid. He had people at the Ministry make a committee to approve the containers one by one. But the problem is that the members of the committee were the ones who are importing. Only about 30 percent of the committee was comprised of manufacturers.

Here we see how the capture by importers within the FEI transcended formal structures of representation and permeated ad hoc groups that were created to address problems directly impacting manufacturers. This is not to suggest that the importer-bias in the leadership structure of the FEI was the sole reason for persistent smuggling. Indeed, the issue is complex and includes a wide range of complicit actors from customs officials to both formal and informal sector importers. However, the government and private sector approach to the smuggling issue is indicative of a larger trend—again, one in which industrial policy is shaped in favor of traders at the expense of manufacturers. It is perhaps unsurprising then to see the problem persist—the same complaints regarding unchecked smuggling raised by Chamber members into 2014 (‘*Mohammed el Murshidi’* 2014).

(2) The Breakup: Establishing the FEI’s Chamber of RMG and Mafroshat

The RMG assemblers’ de facto domination of the sector’s policy-making space expanded even further in 2010 with the secession of the RMG and home textiles (*mafroshat*) businessmen from their textile colleagues. At the entrance of the FEI headquarters, a large sign displays the Federation’s constituent chambers. While most are represented by wooden plaques, the Ready-Made Garment and Home Textiles Chamber stands apart,

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the participating GAFTA countries that does not require authentication of certificates of origin by consulates or embassies (Jordan MOIT n.d.). As Shams detailed, there seems to be abuse of the agreement not only with regard to identifying the origin of the imports, which he suggests often come from China, but also with the import content once it reaches Egyptian customs.

offering instead a handwritten sign, indicating its creation as the Federation's newest body.

The saga of the RMG-Textile break-up goes back to the late 1990s, and should be seen as part and parcel of Egypt's market liberalizing reforms.[227] According to Mr. Khaled,[228] Executive Director of the now-deflated Chamber of Textiles, RMG manufacturers had been trying for over 15 years to convince successive Ministers of Industry and Trade to permit the separation. But, as he explained:

> Before, every Minister of Industry would refuse because the whole sector is related—we have cotton that will become spinning, spinning will become weaving, weaving will become clothes… You can't work on one without the other. Then imports changed everything. The RMG businessmen don't have any problem if the spinning and weaving were to stop. Of course, this Chamber [of Textiles] has a problem with that.

Indeed, the seeds of the dispute leading to the break-up of the Chambers lay in the conflicting interests of RMG and textile manufacturers regarding industrial policies, particularly those concerning trade liberalization. RMG businessmen wanted to import less expensive raw materials from the East without paying high import tariffs. Naturally, textile producers instead wanted Egyptian RMG manufacturers to buy their products.

Mr. Khaled noted that pressures from the textile businessmen were always too intense for the RMG manufacturers to have their way. He explained how this changed under Rashid's tenure as Minister.

> You see, they're all part of the same group [*shilla*]. They socialize together [*biyis-haroo ma'a ba'd ya'ni*]. Outside of official positions, they have friendships. These don't end during office hours. The whole Chamber of RMG is in cahoots with [Mr. Zorba] [*tabaa'ooh*].

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[227] See Cammett 2004 for a similar series of events in Morocco's textile and garment industry. Cammett, however, interprets the consequences of these developments with regard to economic development and inclusion differently.

[228] Quotes used in this section come from the third of three interviews, the last of which was conducted on 5 February 2015.

But, as Mr. Khaled explained, it was Rashid who ultimately made the decision: 'Rashid's consultant told him there were problems between the businessmen in each Chamber, so it would be better if they separated. Mr. Zorba's RMG *shilla* convinced him of the idea, and he executed it.' In 2010 Rashid approved the separation, leading one (not unbiased) Egyptian media source to comment: 'Rashid flatters [*yigaamal*] his friend [Zorba] Emperor of Imports with the creation of an independent chamber for ready-made garments for the benefit of his company' (Jaffar 2010). The article quotes members of the Chamber of Textiles, one angrily stating that 'the decision will lead to the destruction of the textile industry and wide-spread unemployment because the industry is an interconnected body' (*ibid*).

Whether or not such developments would ensue, in most immediate terms, the separation meant the further sidelining of textile representation in front of authorities at the Ministry of Industry and Trade responsible for determining industrial policies. While textile businessmen on the board of the formerly combined Textile/RMG Chamber were perhaps marginalized during the initial years of Rashid's tenure, they still had a seat at the table where crucial policies affecting the industry were discussed. However, with the creation of a separate body, the textile chiefs were now excluded from the conversation entirely. The dissenting voices that had previously compromised the plans of Zorba and his colleagues during official meetings with the Ministry had been successfully muted. Following the separation, the Chamber of Textiles was left without leadership, and therefore without formal representation to government officials. At the time of my interview with Mr. Khaled (five years after the separation), a new Chairman and board had yet to be appointed.

In terms of the QIZ agreement, we find yet another instance of feigned inclusivity. As Mr. Khaled explained:

> The original idea was based on the agreement [*el fikra kanit mabnaya 'ala*] that the RMG would take from what the textile sector [*ghazel w naseeg*][229] produces. But when they stopped taking from us and started taking only from outside, this is when the problem started. But at the beginning, the textile producers were happy…they thought it would give work the factories here. So we don't have any problems.

However, as Khaled continued, after the first two years, this spoken agreement broke down and the RMG producers began sourcing nearly all of their inputs from abroad—a situation exacerbated further in 2010 with the separation of the Chambers.

7.2 The RMG Export Council

The repercussions of the networks dominating the FEI also reverberated throughout the additional quasi-governmental organizations discussed in Chapter 5. Alongside the FEI's Chambers, the RMG Export Council also positioned itself as the 'voice' of the sector for all things concerning exports. As we may recall from the previous chapter, those who led Export Councils were granted significant power—serving as the gatekeepers for accessing the multi-million dollar rebates from the IMC/ExpoLink and Export Development Fund. Leadership for the RMG Export Council came in the form of two of our chief QIZ negotiators: Mr. Arafa as Chairman, succeeded by Mr. Kassem.

As the Council website reads, the body was established as a: 'Public Private Partnership (PPP) between the Ministry of Trade and Industry and an assembly of *the most prominent* ready made garments exporters [emphasis added]' ("RMGEC" 2008a). The nature of the RMG Export Council reveals yet another instance of how exclusion of

[229] Literally 'spinning and weaving.'

smaller firms was institutionalized through these partnerships between business elites and state officials. Upon closer examination, we find the RMG Export Council serve a dual function similar to that of the 'all-inclusive' business association (the FEI)—both providing ostensible representation for SMEs, while at the same time structurally marginalizing them.

Although the Council claims to speak for the interest of the sector as a whole, the body itself is explicitly selective with only 200 member companies ("RMGEC" 2008a); And upon closer examination even this figure is revealed to be inflated. First, a number of the cited companies are subsidiaries of large holding groups. For example, Cristall, METCO, Swiss Garments Company, Swiss Garments for Cotton Garments, and Arafa Egypt Tailoring for RMG are all majority owned by Arafa Holding. Similarly, Nile Clothing Company, Maytex, and Egypt Clothing Company are all subsidiaries of Zorba's Nile Holding Group ("RMGEC" 2008d). Second, of the five companies I contacted through the RMG Export Council directory—compiled courtesy of a 2007 IMC/ExpoLink-funded initiative—all denied receiving any assistance from the body.[230] Two did not even recall the name, while one medium-sized owner dismissed the services ostensibly offered by both the IMC and the RMG Export Council as *mugarad musamayat*, mere talk.

With regard to small companies, criteria for membership eligibility in the Council provided a clearer form of exclusion, requiring aspiring members to have a total exporter's volume of at least $5 million the year prior to application ("RMGEC"

[230] I was provided the glossy directory by Mr. Kassem's assistant at the RMG Export Council, whom I met in her office at the Ministry of Finance. All of the contacted companies were struggling medium-sized firms.

2008a).[231] Additionally, beyond barring SMEs from Export Council membership, the organization affected smaller firms' participation in the sector more broadly. By reserving the responsibility of 'assessing the export potential of the ready-made garment manufacturer,' and 'establishing the criteria for new companies to gain access to export markets' the Council served as gatekeeper, determining which companies showed sufficient promise to benefit from resources essential to their survival (*ibid*).

Meanwhile at the institutional level, the Council aimed to 'occupy a central role in the political arena that allows it to affect and influence laws, polices and regulations concerning all SME affairs' ("RMGEC" 2008a). Thus we see not only direct capture of the exporting space and government/international donor assistance, but also the long-term consequences of that capture as the Council of elite businessmen became the primary body for shaping the institutions, or 'rules of the game' (North 1991), that determined SME participation.

Indeed, although the Council celebrates its success in promoting the 'interests of the RMG sector' ("RMGEC" 2008a) at large, there is no evidence that any of the Council's activities have benefited those outside of the 'prominent' exporters directly party to the partnership. Instead, initiatives for the ostensible benefit of SMEs are relegated to the bottom of a list of 'Future Plans' for the Council, which intends to, at some unspecified time in an unspecified manner, '[integrate] the SMEs within the supply

[231] This is in direct contradiction to an OECD trade evaluation stating: 'Since almost 94% of Egypt's registered industrial and trading companies are SMEs, [the Ministry of Industry and Trade] considers them a core target group that should be represented in consultation mechanisms. Accordingly, the membership of the Export Councils includes representatives of SMEs, including those run by young and women entrepreneurs' ("Business Climate" 2010, 20).

chain of the Egyptian economy' (*ibid*).[232] As seen in the outcomes of the QIZ agreements first decade, however, there is little to suggest that preparations have been set in motion to achieve this goal. On the contrary, previously discussed developments point to an opposite trend as policies have disincentivized interfirm linkages and led to increased SME closures and expanded growth of the largest firms.

* * *

8. Negotiating Networks of Discourse

My interview with Mr. Kassem demonstrated the usefulness of the previously discussed discursive veil behind which business and political elites functioned during the reforms of the 2000s. It also shed light on the extent to which the networks of individuals party to the QIZ negotiations were embedded in larger networks, facilitated by the ostensibly representative Public Private Partnerships introduced in Chapter 5. Indeed, the 'experts' with whom he connected me for my study 'on business-state relations in the textile and garment industry' included two economists—one from each of the earlier mentioned centers of Egyptian reform-era discourse production: the ERF and the ECES.

The article cited throughout this chapter to illustrate the differential benefits of the QIZ protocol was co-authored by Mr. Kassem's contact at the ERF, Dr. Abdel-Latif. While the report presents the same data as provided above, it offers an alternative interpretation. Describing the QIZ agreement as the outcome of 'a successful public private alliance in the textile and garment industry,' the authors conclude that Egypt's participation in QIZ has been, on balance, a positive experience (Nugent and Abdel-Latif

[232] In 2014, the newly appointed Minister of Industry, Trade, and SMEs (as it has come to be called), Mounir Fakhry Abdel Nour, announced a plan to restructure the existing Export Councils and establish parallel 'non-traditional' Export Councils to target small exporters: 'to act as a regulatory framework for small exporters and a platform to address their problems' (Farid 2014). However, there is no evidence to suggest this has been implemented in any serious way as of 2016.

2010, 28). As support, they highlight the agreement's success in increasing garment exports and improving 'know-how,' and they point to the important 'policy linkages' that emerged alongside the QIZ negotiation process (Nugent and Abdel-Latif 2010, 30). Each of these posited 'positive' consequences requires closer examination.

First, with regard to increased exports of garments, as discussed above, developments within the textile and garment industry are deeply interconnected. As consequence, we cannot look at the success of garment exports, without taking into account the wider implications within the sector, both in terms of firm size as well as subsector classification. Who were the winners? And who was excluded?

As shown in previous sections, large businesses comprised the vast majority of the beneficiaries. Meanwhile, small and medium-sized firms failed to access such success due to a combination of high barriers of entry to QIZ participation, lack of government support facilitating the process, and (as I have argued) the absence of appropriate representative channels to voice their demands. At the subsector level, textile firms suffered as acquisition of cheaper goods from abroad reduced incentive for RMG assemblers to purchase domestic raw materials and basic textile inputs. This also carried with it a wider economic impact expanding beyond the textile and garment sector, particularly due to the density of interfirm linkages between textile companies and domestic manufacturers of intermediary inputs.

Second, with regard to improving 'know-how,' there is little evidence to show that technological advances which may have occurred within the factory walls of QIZ beneficiaries exhibited any kind of trickle-down or technology diffusion to smaller firms. Instead, as the authors themselves note, larger firms tended to be isolated and vertically

integrated (Nugent and Abdel-Latif 2010, 26). Thus, any creation of 'know-how' would have been confined to the large exporters, offering them even further advantage over their smaller counterparts.

Finally, the 'policy linkages,' or Public Private Partnerships, highlighted by the authors as a positive externality of QIZ negotiations prove equally problematic. These include: (1) transformation of commodity councils 'into active export councils;' (2) incorporation of the IMC under the auspices of the Ministry of Industry and Trade, which allowed the former to provide 'significant support to QIZ exporters;' and (3) the bringing together of 'private and public key players in the textile and garment business community to produce a future plan (Vision 2020)'—a 'national strategy' for the industry (Nugent and Abdel-Latif 2010, 28). These policy linkages, held by the authors to be the redeeming qualities of the QIZ despite the program's acknowledged exclusionary nature, should instead be seen as promoting even further exclusionary access to economic privileges.

QIZ 'Policy Linkages:' IMC integration, Export Councils, and Vision 2020

First, regarding the creation of Export Councils, the new 'policy linkages' created left much to be desired with regard to broadly shared benefits (as discussed above in the case of the RMG Council, and Chapter 5 with regard to the Furniture Export Council and Mr. Nadim's hand-picked beneficiaries). Second, as argued in Chapter 5, the transition of the IMC from an independent body to a 'quasi-governmental' organization under the auspices of the Ministry of Industry and Trade should be seen as the strengthening of elite networks, serving as an 'organizational veil' (Wurzel 2004) that facilitated elite capture of public and foreign funds. The fact that the integration (as the authors note)

facilitated 'significant support for QIZ exporters' should be seen in similar terms of promoting elite resource capture.

We may recall, the IMC was established with the stated aim of serving as Egypt's leading 'development agency for industry' for all of Egypt's SMEs and large enterprises (*Mission* 2009). However, incentives inherent in the QIZ protocol promoted neither broad industrial development, nor inclusive benefits across firm sizes. As discussed above, QIZ exporters were predominantly large firms—a consequence of high entry costs of participation and lack of government policies ensuring smaller firm inclusion. Thus, the IMC's provision of 'significant support' to the QIZ exporters, resulted in an increased transfer of public resources and foreign donor funds to predominantly *large firms* engaged in *assembly and trade activities* at the expense of the industry-heavy textile manufacturers (along with their domestic SME linkages providing intermediary inputs) and smaller firms across sectors.

Additionally, although the IMC ostensibly offered support to all sectors, as the authors note, 'the garment industry is estimated to have benefited from the opportunity more than the others' (Nugent and Abdel-Latif 2010, 28). QIZ garment exporters enjoyed the lion's share of benefits from the IMC's 'special division' created to train employees (*ibid*), as well as IMC assistance to '[enhance] their physical capital base' and to finance foreign technical consultants assisting in facility set-up (Nugent and Abdel-Latif 2010, 28).

As we may recall from Chapter 5, Mr. Arafa, with reported net assets of more than $330 million in 2010 (Arafa Holding 2010), appears amongst the main beneficiaries of this generous IMC support to QIZ exporters—gaining access to IMC subsidies to

acquire 'the latest technology' and have his companies' skilled workers 'trained by experts from Italy' (*Production Facilities* 2016). While it is difficult to determine the true amount of IMC funds allocated to Arafa Holding due to conflicting information cited in the Group's financial statements, there is reason to believe the Company received millions of dollars in IMC subsidies over the period 2005-2011.[233]

This significant IMC support to QIZ exporters also illustrates the common trend of double-dipping on the part of business elites benefiting from reform era industrial policies. According to Rashid's Industrial Development Strategy (Chapter 5), IMC assistance was only intended for those *not operating in free zones* (MOTI 2006, 31).[234] Qualifying Industrial Zones are, for all intents and purposes, free zones for exporters to the US.[235] Thus, added to the substantial privileges of operating within QIZs (i.e. duty-free exports to the US and tariff-free imports), we see major QIZ exporters (particularly RMG businessmen) also capture IMC resources—funded by the public coffers of both Egypt and the EU—intended for equitable benefit.

[233] For example, in the mid-year 2009 report, $202,922 from the IMC is recorded in the section of 'other revenue' for the nine month period 1/2/2009-31/10/2009, while in the FY2009 report (31/1/2009-31/1/2010), the IMC category disappears. The financial statements also record a total $2.16mn in 'technical support income' between 2005-2011, which according the new PPP plans of the Industrial Development Strategy would have been allocated through the IMC (Author's calculations from Arafa Holding financial statements). To complicate matters, this number, which is calculated from the Arabic statements, does not correspond to that recorded in the English statements which, for example, reports $0 received in technical income for FY2011 against $505,015 cited in the original Arabic version for the same period. What is more, while the IMC category does not appear on the financial statements until 2009, a former human resources specialist at Arafa's Swiss Garments Company who worked at the firm in 2007 and 2008 cites in her published CV that some of her tasks included: 'Corresponding with IMC representatives to plan and start the services according to IMC regulations;' and 'Preparing and delivering all the documents to IMC to claim the reimbursements.' It is possible that instead the subsidies were recorded in the ambiguous 'other' category under 'other operating revenue,' which totaled $22.7mn between 2005-2011 (author's calculations from Arafa Holding financial statements).

[234] As the Strategy notes: 'The [IMC] beneficiary should be a private industrial entity that . . . does not operate within a free zone' (MOTI 2006, 31).

[235] As we also saw in Chapter 5, aside from their participation in the QIZs, both Arafa and Khamis were already operating out of free zones, yet managed to circumvent this early stipulation.

Meanwhile, the importance of this organizational web in feigning inclusivity returns to the fore, illustrated in a 2008 evaluation on QIZ developments commissioned by USAID. The author of the report notes that indeed smaller firms seem to have been excluded, but points to the IMC as a possible source of assistance—an already-existing solution to help smaller companies acquire the necessary skills to be included amongst the lucrative QIZ exporters (Salinger 2008, 15). The evaluator makes the suggestion based on 'exploration of the IMC website,' noting that she was 'unable to meet with IMC during the weeklong visit to Cairo' (*ibid*).

Finally, Vision 2020, expands the web of exclusionary networks of privilege even further—overlapping again with both the IMC and RMG Export Council, along with the individuals in charge. The Vision also serves the important function of providing the technical discourse to support the agenda of the RMG elites. Created in 2007 as part of the IMC's series of Sector Development Strategies, Vision 2020 aimed to offer the way forward for Egypt's textiles and ready-made garments sector.

The report was financed by the IMC at the cost of €150,000, and compiled through the IMC's Studies and Policy Support Unit (SPSU). The Policy Support Unit, in turn, utilized 'top-notch international and local consultancy offices with extensive expertise in the field of industry' (*National Policy* 2009). On the local side, Mr. Kassem would be the driving force behind the Vision—appointed by Minister Rashid as President of the High Council on Textiles, which was established in tandem with Vision 2020 to serve as the overarching body guiding the sector and implementing the 'National Strategy for Textile Development' (Author interview 26 August 2013).[236]

The Vision offers much of the same language used to promote the original QIZ

[236] International 'expertise' was provided by the Swiss-based management consultancy, Gherzi.

agreement, highlighting the potential of job creation—thus ostensible broad inclusion of beneficiaries—as a justification for its importance: 'The Egyptian textile industry has the potential… to generate additional employment for 1 million workers, within the coming 5-10 years' (Gherzi 2007, 1). Moving forward, Vision 2020 posits as its central aim: 'to ensure that the required resources for growth of the industry are made available' (*ibid*). In order to do so, two main objectives include: (1) facilitating access to raw materials 'through regulatory changes in the imports and trade of cotton;' and (2) making 'needed industrial infrastructure available in terms of *industrial land* suitable for textiles [emphasis added]' (*ibid* 2). While these objectives appear benign enough at surface level, closer examination of the report suggests otherwise.

First, similar to the case of the QIZ, the Vision has a clear bias towards RMG importer-exporters over locally sourced textile producers—a bias tactfully concealed in the aggregated title: 'Egypt Textile National Strategy,' thus obfuscating the previously discussed distinctions between the two subsectors. The privileging of RMGs becomes more apparent in the proposed steps for developing the industry at large. As the report reads: 'Egypt will focus on expanding its finished product sector (garments and home textiles) *using imported raw material* [emphasis added]'—suggesting that such a move would, 'create the critical mass required to attract investments in primary textiles' (*ibid* 1).

The report seems to espouse the familiar argument of a trickle-down process, positing that success in RMGs would create a positive investment climate, thus benefiting all participants in the textile industry and promoting Egypt's industrial development at large. And yet, as seen in the consequences of the QIZ, this logic has proven false. Empirically, textiles have suffered greatly during the period of increased RMG success

following the agreement's implementation. Rather than bring locally sourced textile producers into the circle of success, large RMG firms imported raw materials, demonstrating little effort towards cultivation of domestic linkages.[237] As Stiglitz (2002) emphasizes, firm *creation* is a far more difficult task than destruction; and firm closures are not easily undone—once bankrupt, a company's net worth is demolished and the process of rebuilding is arduous. Instead, such an equation of facilitating imported raw materials for the eventual aim of cultivating domestic primary textiles invites the implementation of partial reforms—allowing RMG exporters using high import content to experience increased benefits, further capture Egypt's business space, and leave the country's textile industrial base to continue to founder.

Meanwhile, the Vision's second objective regarding land acquisition is conveniently vague, not specifying where such land would come from or to whom it would be allotted. An interview with Mr. Kassem revealed that he believed this land should be 'provided by the government' to the generally conceived 'private sector.' As Mr. Kassem explained:

> One of the problems of industrial expansion is the availability of land. The government is able to solve that problem. The private sector can do the job. The industry will have the land and the government will receive taxes and an improved economy. Everyone wins. I am pushing the government to give more land. We would like to take the Public Private Partnership approach.

The acquisition of public land by select 'private sector' representatives at uncompetitive prices was common practice during the privatizations of the 1990s (Wurzel 2004), and

[237] Instead, as one high-level employee at Khamis' Oriental Weavers explained, 'If you want something done right, you have to do it yourself. We do everything by ourselves here. That means we have great quality, but at the same time I know we kill the companies around us' (Author interview 2 March 2015).

continued at full force in the 2000s (see for example Kandil 2012; Adly 2011).[238] Under the guise of Public Private Partnerships, Vision 2020 sets the stage for a continuation of the trend under organizational cover. By positing the land transfers to serve 'Egyptian industrialization' as a whole, the plan facilitates further elite capture of public resources. Mr. Arafa's 2014 land case, for example—which succeeded in converting 25 thousand square meters designated for industrial production into plots for real estate—suggests such a trend is likely to continue (Khalifa 2014).[239]

* * *

9. Implications for Development: Analyzing Winners and Assessing the Competition

While some argue that firm destruction is necessary for economic development—a Darwinian survival of the fittest and natural outcome of competition—the QIZ story suggests something different. Again, we find the *who* and the *why* to be central details to assessing the consequences of the agreement. *What kinds* of firms are being destroyed and *why*? Are firms simply being outcompeted by more efficient ones? Or are they closing as a result of government policy privileging one group of individuals (i.e. connected elites participating in assembly activity) over another (i.e. smaller firms and textile producers using locally-sourced materials)?

As the preceding sections of this chapter posit, the preference for importing as

[238] 'Under Mubarak the state allocated 67,200 square kilometers… worth LE800 billion to favored investors. In addition, the illegal diversion of 185,000 feddans of arable land to construction projects had cost the economy LE78 billion in the past decade. In the weeks following the 2011 revolt, 123 cases… were considered by the courts . . .[Ahmed] Ezz acquired 21 million square meters at the price of LE4 per meter in the industrial area of the Gulf of Suez, only to resell it to foreign companies for LE1,000 per meter a couple of years later…Minister of Housing and Construction Ahmed al-Maghraby allocated between January 2006 and December 2008 over 27.2 million square meters to thirteen companies in which his family-owned Palm Hills Company controlled between 49 and 100 percept of each—in Palm Hills itself, the president's younger son's stock increased by LE16 million in 2009 alone as a result of the appreciation of the value of land acquired by the company' (Kandil 2012, 215).

[239] From Arafa Holding investor report (Arabic only). Notably, Arafa's brother also works primarily in the real estate sector (a fact confirmed by a number of sources on close terms with Arafa).

opposed to using local materials was made attractive by a range of politically conceived decisions and international developments: (1) policies of neglect regarding the Egyptian textiles;[240] and (2) incentives provided to those operating in QIZs—namely, tariff-free imports with highly liberal rules of origin.

As detailed above, the personalistic nature of the QIZ negotiations allowed the small group of cosmopolitan elites at the core of the process (Zorba, Kassem and Arafa) to use their portfolio of connections—offering essential links to individuals in key 'state' positions as well as international interlocutors—in order to monopolize channels of representation and ensure private gains, while including a relative few into their circle of profits. These early negotiators would then maintain their positions as the principal contacts for Israeli and US partners for concerns regarding the program and its development. Zorba remained the 'chief Egyptian interlocutor,'[241] while Kassem assumed the position of head of the QIZ Private Sector Council (Embassy Cairo 2009f)—the representative body of businessmen operating within the QIZs, to which Rashid also appointed Zorba's son, Waleed el Zorba ("EUSBC" 2015). For his part, Mr. Arafa assumed a seat on the QIZ Unit (Embassy Cairo 2009c)—the Egyptian side of the joint Egyptian-Israeli committee responsible for administering the qualified zones ("MOIT" 2016b).

Further, the cosmopolitan capital possessed by this group of RMG elites can be seen as not only essential to their ability to negotiate the QIZ agreement, but also their

[240] Policies of neglect towards the textile industry can be seen in both the state of the public sector textile factories as well as the agricultural policies regarding cotton production (including a series of subsidy cuts).
[241] In June 2005, for example, the former royal court advisor, Hani Mulki, representing the Jordanian side, introduced an initiative that would include deeper integration of Egyptian and Jordanian QIZ manufacturers. The US cable out of Amman cites Mr. Zorba as 'the chief Egyptian interlocutor' (Embassy Amman 2005).

business success more broadly. As Dezalay (2004) highlights, cosmopolitan elites often only exist as such owing to resources acquired within the framework of their domestic arenas (7). As Mr. Zorba's son explained: 'In the US, you have to be really, really smart and offer something really, really innovative to be bigger than these behemoth companies. In Egypt, you can adopt ideas and localize it, but you won't face that much competition' (El Zorba 2015). Through a combination of dominating the space of industrial representation (FEI, RMG Export Council, High Council on Textiles), industrial policy creation (QIZ together with those discussed in Chapter 5), and development funds (IMC, ExpoLink), *shillat el QIZ* and their associates were granted access to the domestic wealth of Egypt, while simultaneously contributing to the convenient absence of competition.

Finally, this absence of competition—making it unnecessary to be 'really, really smart and offer something really, really innovative' (El Zorba 2015)—also demonstrated repercussions for Egypt's broader economic development. As Rodrik (2006) notes, while trade agreements facilitating garment exports offer a potential source of immediate growth, in order to make this growth sustainable, subsequent policy must promote diversification into new sectors for export (2006, 985).[242] However, with the negotiations and subsequent administration of the QIZ led by a small group of RMG businessmen, there was little incentive to push for this diversification. Indeed, as the Israeli Economic Commercial Counselor expressed to her US interlocutors after a visit to Egypt to discuss QIZ developments: 'despite their rhetoric to the contrary, the Egyptians do not appear to

[242] Additional cases of unsustainable 'maquila-driven economic growth,' or garment assembly for export, can be seen across Latin America. Mexico provides a particularly relevant comparison as NAFTA offered similar incentives for firms to use Mexico as an assembly station to import cheap materials for low-value added assembly and subsequent tariff-free export to the US (See for example Gereffi 2009).

be genuinely looking to diversify the QIZ beyond textiles and ready-made garments' (US Embassy 2009). At the time of her visit (i.e. five years after the agreement came into effect) textile and RMG still comprised nearly all of QIZ exports (*ibid*).

Contrary to pre-QIZ discussions in the Zorba-led US-Egypt Business Council—asserting that 'QIZs would provide Egypt with new opportunities for developing export-oriented industries such as pharmaceuticals and IT products' (Zulficar et al 2004, 3)—QIZ exports have remained (to present date) dominated almost entirely by garments, with Arafa and Zorba two of the largest exporters under the QIZ scheme. Recalling the 'politics of polices' (Robinson 2009), this outcome is hardly surprising; The particular arrangement of participants securing the agreement (elite RMG businessmen) lacked incentives to facilitate such diversification.

* * *

Conclusion

As Moreno-Brid and Paunovic (2008) contend, government policies to induce investment (such as exemption from import duties) while perceived as neutral, in fact, 'radically change the cost structure in certain sectors, giving them advantage over others' (89). We see in the case of Egypt's textile and garment sector how this applies *within* the sector as well, with the QIZ protocol altering advantages between: (1) firm sizes, and (2) subsectors. As a result, there has emerged a parallel process of smaller firm exclusion along with further deindustrialization of the textile and RMG sector—the latter occurring as assemblers of RMG exports gained increased advantage over textile companies using locally sourced materials.

I have argued that the QIZ agreement, in concert with the 'policy linkages' that emerged alongside, resulted in both direct and indirect exclusion of smaller firms. Direct exclusion occurred as smaller firms were prevented from accessing benefits of the QIZ due to their insufficient resources and an absence of state assistance. Indirect exclusion ensued as: (1) domestic interfirm linkages were weakened following sector domination by large RMG exporters, characterized by high import content and/or vertical integration, and (2) large RMG exporters, with the assistance of public and foreign subsidies accompanied by a regime of preferential trade policies, 'ate the little guys.'[243] As consequence, Egypt's large firms became larger, perpetuating the 'Missing Middle' through their effective mediation between international capital (both money and people) and domestic resources.

However, as the next chapter examines, this cosmopolitan capital, while highly lucrative, can also pose a liability—with imperfect partnerships complicating business agendas, demonstrating yet again the fluidity and multi-polarity of the business-state assemblage.

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[243] This phrase is common 'knowledge' repeated throughout the Egyptian business community and used by a number of my small and medium-sized businessmen interlocutors. '*el kibeer biyakul el sughayer*' ('the big eat the little').

Chapter 7: Expanding Privilege?: International Actors Complicating Domestic Agendas

Introduction

Despite the apparent hegemony by connected elites within Egypt's business-state assemblage of the 2000s, parallel developments suggest a more complicated picture—one replete with both intra-elite tensions as well as convoluted negotiation with international actors. One instance demonstrating the complex nature of maintaining networks of privilege, as well as the on-going negotiations that persist following initial policy creation, can be seen in the campaign for QIZ expansion, which itself was intertwined in a campaign to reduce the percentage of Israeli inputs required for QIZ exports.

A series of Wikileaks cables originating from the US Embassy in Cairo follow the multi-year negotiation processes for these two desired amendments. The cables illustrate the complexity of the networks involved—a web of intersecting and diverging interests between Egyptian businessmen, Israeli counterparts, and representatives from two US administrations. The cables are also revealing on additional fronts, demonstrating (1) the recurring discursive techniques employed by Egyptian promoters with their US

counterparts in attempts to secure rents for elites under the guise of inclusive benefits; and (2) the centrality of geopolitics (or the special US-Israeli relationship) in influencing US economic decisions during the Bush era, which would be called into question by representatives with competing priorities under the Obama administration.

* * *

1. Lobbying for Expansion: Cabinet Level Pleas

The story of calls for QIZ expansion stems back to the initial year of the program's implementation in 2005. The original QIZ agreement designated three areas eligible for QIZ participation: Greater Cairo, Alexandria and the Suez Canal Zone. Proponents of the expansion pushed for the inclusion of two additional governorates in Upper Egypt: Minya and Beni Suef. At the center of the campaign we see a return of Mr. Alaa Arafa. As the cables explain, Arafa was having problems with his workers. Most of his employees had been commuting to his factories in Tenth of Ramadan (located on the outskirts of Cairo) from Beni Suef, a 200 km journey, resulting in low-productivity and high rates of absenteeism. And so, Arafa decided to bring the factory to them. Beni Suef offered additional attractions, namely cheaper labor, which had until that point accounted for over 40 percent of Arafa's costs (Fayed 2010); and 'unfettered access to land,' granted by the Investment Guarantees and Incentives Law (Law 8/1997).[244] Under the

[244] This land access was contingent on approval by GAFI ("GAFI" 2016), where Arafa sat as a member on the Board of Trustees ("GAFI" 2011). As previously noted, GAFI's mandate was expanded considerably by Law 14/2004, which along with other changes, established a new board of trustees, designated as an investment advisory council to offer policy advice and suggestions for legal changes that would lead to 'investment promotion' (Stone 2006, 7).

new Businessmen Cabinet, a number of additional incentives and subsidy schemes were also offered to select investors to assist with starting projects in Upper Egypt.[245]

Utilizing these incentives, Arafa began building a factory in Beni Suef under the assumption that he could secure its inclusion into the QIZ program. After all, he had been the Vice President of the original QIZ negotiating team, had a joint business venture with Israeli partners, and well-cultivated relationship with Minister Rashid. Following the initial signing, Arafa also took a seat on the QIZ Unit—the Egyptian side of the joint Egyptian-Israeli committee responsible for administering the qualified zones ("MOIT" 2016b). However, despite his wealth of high-level capital, Mr. Arafa found the process more difficult than expected.

Rashid began lobbying for the expansion within the first six months of the QIZ program's implementation. In a letter addressed to his US counterpart during the initial signing—Robert Zoellick, who had recently been promoted within the Bush administration from US Trade Representative to US Deputy Secretary of State[246]—Rashid thanks him for his support regarding the inclusion of additional zones, which they discussed during Zoellick's recent visit. Reiterating his talking points, Rashid notes that the QIZ expansion would greatly assist the government's fight against unemployment. Citing the current economic benefits of the program, he explains: '397 companies, mostly small and medium-sized enterprises, are registered and started exporting to the US' (Embassy Cairo 2005c). He adds that between February and March of 2005, 'the total

[245] The IMC offered the primary vehicle for funneling rebates on 'modernization' costs—covering 95 percent of expenditures for a wide variety of activities including technology transfers, vocational training, export development, research and development, and technology systems upgrades (Loewe 2013, 36).
[246] Mr. Zoellick assumed his new position in February 2005, which he held for a year before becoming World Bank President (2007-2012). Incidentally, Zoellick would later appoint Mohieldin (Egyptian Minister of Investment on Nazif's Economic Team alongside Rashid and Ghali) to the post of WB managing director in 2010 (World Bank 2010).

exports of these companies reached around $42 million' (*ibid*). Demonstrating the ever-recurring discursive technique of feigning SME inclusion, Rashid fails to mention that only 70 of the 370 'registered' companies were actually exporting (i.e. benefiting from the agreement), also conveniently omitting that the 300 non-exporters accounted for the SME majority (*ibid*).

But there were more pressing matters to consider. The letter continues:

> More importantly, the fact that the QIZ is the first trade agreement signed by the U.S., Israel and Egypt gives all its economic benefits great political ramifications for the Middle East. Trickling down the benefits of the QIZ to people on the street in Egypt means a change to the mindset of the Egyptians with respect to Israel. The extension of the QIZ to more zones ensures that more people will be affected by this change. And we cannot underline the importance of such a mindset change for Middle East peace enough. To say the least, it is key to allow Egypt, as a regional leader, to play an active role in the normalization of Arab-Israeli relations (Embassy Cairo 2005c).

Rashid was well aware that support for Israel served as the essential factor behind the US decision to sign on to the QIZ. Zoellick, who had explained to his Egyptian counterparts in 2003 that an FTA would not just 'be handed to them on a plate by foreign ministers because Egypt is a big and important country' (Momani 2003, 96), showed enthusiastic support for the 'historic' trilateral partnership, which he called the most significant agreement between Egypt and Israel since the 1979 Camp David Accords (Wallis 2005). Still, Rashid's early attempts to secure the expansion proved unfruitful, and the original cast of QIZ promoters turned to additional lobbying networks.

* * *

2. Fabricating Inclusivity: Negotiating Input Requirements

Alongside the Egypt-US discussions regarding QIZ expansion, another set of negotiations was taking place on the Egypt-Israel axis. We may recall the original

agreement stipulated that 11.7 percent of QIZ manufacturers' input material be sourced from Israel in order for manufacturers to enjoy the benefits of the preferential agreement (i.e. exemption from import duties and tariff-free access to the US market). As early as 2006, a number of Egyptian QIZ manufacturers began lobbying for a reduction in the percentage of required Israeli inputs, complaining that there were not enough products on offer at reasonable prices to allow them to meet the current conditions. They proposed, instead, a reduction to eight percent—the amount required under Jordan's QIZ agreement (Embassy Cairo 2006b).

'On the sidelines' of the quarterly QIZ committee meeting, Gaby Bar, head of the Israeli delegation, relayed to his US interlocutors that the Israeli team was not convinced that 11.7 percent posed an unreasonable burden (*ibid*). He based his argument on the logic that because QIZ manufacturers' continued to expand production and increase exports under the scheme, they must have been benefitting despite the costly 11.7 percent Israeli-input requirement. However, behind the scenes, there was another set of negotiations that made this seeming contradiction possible.

Indeed, the vast majority of medium-sized firms I spoke with expressed a difficulty, if not an impossibility, of adhering to the minimum requirement for Israeli inputs (even after it was eventually reduced to 10.5 percent in late 2007). They explained the expenses of the inputs outweighed the benefits of operating in the Zones. However, as I was told by multiple medium-sized contacts who did manage to export from QIZs, some of the top RMG exporters helped them around this. My interlocutors revealed that the small cohort at the center of the QIZ project opened an importing company to buy

packaging material from Israel.[247] While the cost of other inputs (zippers, buttons, fabric, etc.) from Israel typically far surpassed those from suppliers to the East, packaging did not cost significantly more than the alternatives. First using the packaging for their own exports, the QIZ brokers sold any extra, along with receipts above and beyond their own quotas for Israeli imports to businessmen wanting to operate in QIZs. When the QIZ administrators came to ensure that the required percentage of the product value had been sourced from Israel, the medium-sized firms would present the receipts as evidence of their compliance.

As my contacts explained, this scheme was facilitated by the fact that monitoring of the input requirements was conducted on a post-facto basis, as opposed to a single shipment basis as was the case in Jordan.[248] The visits of the Israeli-Egypt auditing team occurred quarterly, thus offering a wider time frame for RMG elite exporters to accumulate receipts of purchased products, and, in turn, sell the receipts to manufacturers who were short of meeting the required percentage of Israeli inputs. Thus, a decrease in this 11.7 requirement would not only reduce costs for the large Egyptian producers themselves, but also facilitate their scheme of fabricated inclusion. The core Egyptian and Israeli team was well aware that any further expansion of the QIZ would be contingent on (at least the appearance of) broader inclusion—made evident by repeated US calls for greater diversification of the current QIZ participants.

* * *

[247] My contacts were reluctant to provide explicit names because doing so would implicate relatives of their friends.

[248] In Jordan, the QIZ audit took place differently—requiring a pre-qualification review of each product before being shipped to the US under the benefits of the agreement. After the Egyptian QIZ was signed, the Jordanians negotiated for a post-facto audit of factories, arguing they should be 'treated the same' as the Egyptians (Embassy Amman 2005). The Israeli counterparts replied that they were still in the trial period with the Egyptians, and should they decide to preserve the quarterly review in Egypt, they would extend it to Jordan (*ibid*).

3. Lobbying for Expansion: Joint Egypt-Israeli Proposal

While the mechanisms behind this compromise remain unclear, despite Bar's early refusal, the Egyptian negotiators managed to secure cooperation from a higher power. In October 2007, Israeli Minister of Industry and Trade, Eli Yisha, approved the joint Egypt-Israeli team's proposal for a reduction. At the businessmen's behest, Minister Yisha simultaneously requested that the USTR accept expansion proposals to Upper Egypt—noting that the Israeli businessmen providing inputs for the Egyptian-manufactured products strongly supported the expansion.[249]As an example of this Israeli business support, in a cable to Washington US Ambassador Ricciardone cites an encounter between the Embassy Economic Officer and Anis Aclimandos, President of TransCentury Associates—a trade and financial consultancy firm also specializing in procurement services (facilitating import/exports). Mr. Aclimandos, a consummate *skilled broker* with early USAID ties,[250] relayed to the Economic Officer that he had been contacted by Israeli rubber manufacturers hoping to export rubber seals for the new QIZ products expected to result from the Upper Egypt expansion (Embassy Cairo 2007e).

Still, despite Israeli support, US approval for expansion was not forthcoming. At the quarterly joint Egypt-Israeli QIZ committee meeting held in November 2007, the members submitted a follow-up proposal to US officials for expansion of the scheme, noting they hoped for 'speedy' US consideration (Embassy Cairo 2007e). However, even

[249] Again, Ambassador Ricciardone draws attention to the fact that they expected 'the economics of this arrangement [would] continue to overwhelmingly favor exporters of ready-made garments' (Embassy Cairo 2007e). On the positive side, Ricciardone notes this would not likely affect US industries as very few companies would have the means to move their enterprises down to Upper Egypt.

[250] Mr. Aclimandos was former Senior Financial Analyst at USAID (1976-81) during Sadat's *infitah* years; To give an example of some of the networks in which he was embedded: Aclimandos was also appointed to the FEI's International Affairs Committee along with Kassem and Nadim with the rise of the Businessmen Cabinet; And had a seat on the US Egypt Business Council (2002-2010) under Zorba's presidency ("TCA" 2016).

the joint proposal failed to produce desired results, with conversations throughout the cables suggesting US representatives wanted additional assurances that the QIZ expansion would not pose a threat to domestic US industrial interests.

In 2008, the team utilized an additional lobbying forum, well integrated in the QIZ network. An AmCham 'Doorknock Mission' to DC yielded initially optimistic, but ultimately fruitless results. As Ehab el Zorba, Mr. Zorba's other son, explained in the Mission Report: 'During our mission, one of our priorities was to generate support among decision-makers for the approval of [the expansion of QIZs to Upper Egypt]. Several congressmen and senators have [voiced] their willingness to support this' (AmCham 2008).

However, Zorba Jr. added that his American interlocutors wanted guarantees that the garment industry would not dominate these new zones as had been the case in existing ones, and instead, there would be a wider variety of industries (*ibid*)—guarantees difficult to provide. As Ambassador Ricciardone noted in a November 2007 cable, despite the QIZ committee's insistence that an expansion to Upper Egypt would help diversify the participants to include additional sectors, such as furniture and leather, such an outcome was highly unlikely—the US tariffs on products other than garments was not high enough to compensate for the increased costs of buying Israeli inputs (Embassy Cairo 2007e). Unable to provide evidence that greater inclusion would in fact ensue, the Egyptians again returned to Washington with a stronger lobbying power.

During the August 2008 quarterly QIZ review meeting in Jerusalem, Egyptian trade officers requested greater Israeli assistance in promoting the expansion—suggesting a joint delegation travel to DC (Embassy Tel Aviv 2008). With a US administration

transition looming, the issue gained greater urgency. As a cable from Tel Aviv to the US Secretary of State reads: 'Egypt is concerned that once the current [Bush] administration leaves it will be more difficult to push for the expansion' (*ibid*).

Indeed as Trade Representative Zoellick explained prior to the QIZ signing, the agreement represented: 'a concrete, practical result of President Bush's plan to promote U.S. trade ties with the Middle East so as to strengthen development, openness, and peaceful economic links between Israel and its neighbors' (USTR 2004). The Egyptian team understood that their ability to secure the original agreement resulted from Bush's greater 'plan' for the region. The new administration would bring with it new actors, disrupting the networks long cultivated with the Bush era appointees by both Egyptians and Israelis.

With the extra Israeli support, the joint delegation secured expansion approval just in time. In the last days of her tenure as the final Bush-appointed USTR, Susan Schwab approved the inclusion of the Upper Egypt zones (January 2009). However, the attempt to lock in future gains proved less successful than believed.

* * *

4. Navigating New US Partners: Obama Administration Appointees

As feared, the new US administration brought with it a new team of interlocutors and new conditions, delaying implementation of the Bush era approval. Mr. Arafa met with the US embassy's economic officer to express his frustration: 'Arafa is livid over the delay,' the cable reads (Embassy Cairo 2009c). He called the decision 'absolute stupidity,' and blamed US resistance on their desire to protect domestic industry—an accusation not without grounds.

Indeed, the new set of actors in the US Trade Office had their own networks of interest. In September 2009, the Obama administration's US Trade Representative (USTR), Ron Kirk, appointed Gail Strickler as USTR for Textiles to serve as his chief advisor on all textile and garment trade policy issues. In his appointment announcement, Kirk praised Strickler's years of experience in the industry, making her the perfect choice for 'exploring new market opportunities.'[251] Indeed, Ms. Strickler's history had prepared her well for the task of expanding US textile markets—former Vice President of the Global Apparel Division for Duro Textile, a large private sector firm based in the US; previously on the board of the National Council of Textile Organizations (America's largest textile lobbying group with considerable influence in Congress and Senate); and on the US Cotton Board, with a mission statement of promoting US cotton (*USTR* 2009; NCTO 2016; "The Cotton Board" 2016).

The first five years of the QIZ program suggested that zone expansion would likely result in increased Egyptian garment imports to the US—a fact not likely to appeal to someone tasked with promoting the interests of US textile and garment producers. However, as noted, approval had already been granted for the expansion, and so the US trade team turned to semantics. Former USTR Schwab had granted QIZ status to 'the areas occupied by the currently producing factories' (Embassy Cairo 2010a). Whether or not this wording was intentional, the new USTR for Textiles cited the US Federal Register (where Schwab's approval had been recorded) to request a list of these *already*

[251] As Kirk explained during Strickler's appointment in September 2009: 'She brings a wealth of knowledge to this position and will be able to immediately address pertinent textiles and apparel related issues. Gail will play a pivotal role in helping the US Trade Representative's office and the industries adapt to a trade environment that has undergone significant changes in the recent past, and to exploring new market opportunities' (*Textile World* 2009).

functioning factories, as well as proof of their operations at the time of the January designation.

The Egyptian team responsible for administering the QIZs (the QIZ Unit, housed at the Ministry of Industry and Trade) initially resisted the request. But when the US position proved non-negotiable, Mr. Awni (Head of the QIZ Unit) conceded, submitting a list quickly revealed to be fabricated (Embassy Cairo 2010a). In response to repeated petitions for a revised list, Mr. Awni argued such compliance was simply not required by the initial QIZ agreement (Embassy Cairo 2009c). Awni's successor, Mohammed Ashour, who assumed the position as QIZ Unit chief later that month, offered a similar response. While he admitted that the Unit had made a 'mistake' in the previous list, he remained firm in his refusal to procure a new one (Embassy Cairo 2010a). For his part, Arafa (who we may recall also served on the QIZ Unit) echoed the pair's excuse to the US Economic Officer, insisting the demand infringed on conditions of the original QIZ agreement.

Mr. Kassem, however, offered a second opinion. In a separate encounter, the US Economic Officer met with Kassem, then wearing his hat as the head of the Private Sector QIZ Council. Kassem explained to the Economic Officer that the QIZ Unit's reluctance likely stemmed from the fact that the list of factories capable of exporting from Upper Egypt at the time of the January QIZ designation would be a short one, consisting of only four or five companies (Embassy Cairo 2009c).[252] And Arafa's new factory, it seems, might not have made the cut. As the new US Ambassador to Egypt, Margaret Scobey, noted in a cable to Washington:

[252] Kassem added it was possible the Ministry was buying time, allowing the factories currently under construction to be finished in the hopes of securing inclusion.

> Arafa's anger likely reflects his personal stake in the matter: His company's recently built factory in Beni Suef will likely not qualify for QIZ participation on the grounds that it was not operating at the time of the designation of factories in the Beni Suef and Minya governorates as part of the QIZ (Embassy Cairo 2009c).

Alongside the QIZ Unit, Minister Rashid had also been lobbying in defense of those not yet completed factories. In an August 2009 letter to US Trade Representative Kirk, Rashid stressed the importance of not limiting QIZ inclusion to those already operating companies, explaining the importance of bringing new investment and employment to the economically depressed areas of Upper Egypt, and again insisting no harm would come to US industries (Embassy Cairo 2009b). Rashid concluded his petition by requesting a special meeting with Mr. Kirk during an impending November trip to Washington.

Conditional Approval

Following the pair's meeting, Kirk sent his chief textile and garment advisor, Strickler, to Cairo. During her visit, Strickler offered a modified proposal. She explained that the US would welcome new factories, but only on the condition they be individually approved before exporting. As Strickler explained to the QIZ Unit's Ashour and Awani (the latter maintaining a position as QIZ Unit policy advisor), the US found this a necessary precaution against potential smuggling and shipment of illegal goods.

Awni complained that the demand was 'inflexible;' And Ashour refused the proposal, explaining that only members of the joint Israeli-Egyptian QIZ committee (comprised of the QIZ Unit and its Israeli counterpart) had the authority to certify QIZ factories (Embassy Cairo 2009f). Strickler reassured the pair that approval on a factory-by-factory basis would be quickly forthcoming if the facilities in question were shown to

be in compliance with QIZ requirements, stating: 'If it is operational and it meets acceptable standards, we will certify it.' However, the subtext of Strickler's visit hinted that factory approval might not be as straightforward as suggested. Alongside discussions of new factory certification, Strickler also met with top RMG producers, and 'encouraged [them] to look at the benefits of using U.S. cotton in their production'—a proposal for which Kassem expressed interest (Embassy Cairo 2009d).[253]

Intra-Elite Tensions

Despite Kassem's apparent willingness to cooperate, Ashour and Awni remained firm in their refusal and continued their petitions. The pair explained that some companies wanted to expand to Upper Egypt, but were reluctant to make investments without complete assurance they would be approved for QIZ participation. To support their case, they cited a number of large companies keen on participating, which, they argued, would bring thousands of jobs to the economically depressed area—amongst them, Magdi Tolba's Cairo Cotton Center, one of Egypt's top five largest RMG producers (Embassy Cairo 2010b).

However, Tolba, it seems, was not the best person to include on their second fabricated list. When the US Economic Officer met with Tolba in January 2010, the latter denied having ever supported the idea, saying he had been against the inclusion of zones in Upper Egypt 'since day one' (Embassy Cairo 2010b). In fact, Tolba blamed Rashid and his partners for mismanaging the entire QIZ program. Despite being an early

[253] We may recall Kassem manufactured nothing, instead serving the function of *skilled broker* between Egyptian producers and the US market. Despite this fact, we may also recall, he had been appointed by Minister Rashid to lead the 'politically acceptable' Ministry of Textiles (the High Council on Textiles)—a position from which he played no small role in influencing policies concerning Egyptian cotton production. Meanwhile, the US has been the target of much controversy in the international arena for heavily subsidizing its cotton producers (see for example *USTR* 2010)—an industrial policy sustained in no small part owing to the lobbying efforts of the National Council of Textile Organizations and US Cotton Board (where, as noted above, Strickler sat as board member).

supporter of the QIZ agreement (Loza 2006), Tolba argued Rashid had failed to properly advertise the QIZ program, which resulted in low participation. We may recall from Rashid's letter to former USTR Zoellick, Rashid had stressed his dedication to promoting 'a mindset change' in the average Egyptian with regard to the historical Israeli foe. However, as Tolba explained to his US interlocutors, Rashid had done his best to distance himself from the deal with Israel from the very beginning. By way of example, Tolba recounted an incident from the press conference held after the signing of the agreement where Rashid had him field questions from dozens of 'angry journalists' in his stead (Embassy Cairo 2010b).[254]

More generally, Tolba expressed deep dissatisfaction with Rashid's approach to the industry—and to a number of the components of the PPP projects discussed in previous chapters. Tolba explained that he had resigned from his post as Chairman of the RMG Export Council in 2008 (a position which would be taken up by Arafa, then Kassem) after becoming frustrated with Rashid, who 'does not understand the problems of business here' (Embassy Cairo 2010b). He criticized Rashid's Export Development Fund, complaining that the ten percent subsidies were delaying needed reforms in the industry.[255] He also dismissed the labor 'training projects' set up within the framework of the IMC and its web of affiliates as useless—all damning indictments, particularly

[254] Mr. Zorba*, Mohendes el QIZ,* echoed Rashid's hesitancy to fully embrace his Israeli partners. Head of the Israeli delegation, Gabi Barr, noted that during their recent meeting, Zorba had expressed enthusiasm for 'increasing ties with the Israeli manufacturing community' (Embassy Tel Aviv 2008). And yet, the latter's invitation to meet with the Chairman of Israel's Manufacturers' Association, Shraga Brosh, in Israel was left unanswered many weeks later (*ibid*). The head of the Egyptian delegation confirmed Mr. Zorba's receipt of the invitation, but relayed to his Israeli counterparts that Zorba remained 'noncommittal' (*ibid*).
[255] This claim is supported by a statement made by Louis Bishara, one of Egypt's top garment exporters: 'I would have to completely stop my exports without the export subsidies. It is only a small amount, but without it, I would not sell anything abroad! You must see that the garment market is extremely competitive: small differences in price mean that you are out of the market' (13 March 2012; cited in Loewe 2013, 60). Mr. Bishara was also on the elite US-Egypt Presidents' Council alongside Zorba, as well as appointed by President Mubarak to the Shura Council (alongside Khamis in the 1990s).

considering Tolba had been a top beneficiary of many Rashid era policies. Tolba was one of the largest QIZ exporters and a major recipient of EDF rebates (*ibid*).

* * *

Conclusion

Due to this complex blend of conflicting voices, approval for the first factories to participate out of the new QIZs did not occur until December 2012—seven years after the original request.[256] As late as November 2012, USAID had continued to commission studies on the potential impact of proposed expansion on domestic US industries (USAID 2012), and Arafa's companies were not approved until February 2013 ("MOTI" 2016a). However, despite the imperfect nature of international partnerships during attempts to expand privilege, the initial QIZ scheme—along with the many millions of dollars in gains offered to *shillat el QIZ* and select members of their *diera mughlaqa*—had already been entrenched. By late 2015, 56 percent of all Egypt's garments would be exported to the US under the QIZ arrangement—benefiting top exporters accordingly (Donaldson 2015). And as will be explored further in the final chapter, early QIZ proceeds of cosmopolitan capital would continue to reap dividends despite revolution and regime change.

* * * * * * * * * * *

[256] Naturally, the 25 January Revolution also contributed to the delay, putting a halt to negotiations. Abouleish's Lotus was included as of the first 12 companies, which was approved alongside his textile subsidiary, NatureTex, operating out of Tenth of Ramadan.

Chapter 8: Reorganizing Networks of Privilege: Disruption, Reconfiguration and Persistence in the Face of Regime Change, 2011-2016

When you take a train, do you check who the driver is before getting on? I don't care who's driving the train. Come in to my office and you'll see a row of photos. One of Nasser carrying me as a child, one of me with Sadat, one of me standing next to Mubarak—him with greying hair and me with jet black hair—another one with me and Mubarak, except now he has jet black hair and I have a grey head. And one with me shaking hands with Morsi . . . My relation to the government is like a love affair. There are good times and bad times. But we'll always be together.

> –Alaa Ezz, Secretary General of the Federation of Egyptian Chambers of Commerce (FECC), and mediator of several key links in the reform era business-state assemblage (Interview 16 August 2013).[257]

Introduction

The networks of elite businessmen followed throughout this dissertation gained much of their privileged access to reform benefits as a result of their proximity to the Mubarak family (Gamal in particular). With the 2011 Revolution, these connections were compromised. However, as has been argued throughout this dissertation, the diversified portfolio of high-level capital cultivated by the actors under consideration meant that their ties to the faces of the regime were not their only source of wealth. This chapter briefly engages with some of the post-Mubarak transformations that occurred within the

[257] Introduced earlier in the dissertation (Chapters 5) as deeply integrated in the networks considered.

networks examined throughout. It illustrates how some important partnerships were preserved and others reconfigured, despite the disruption of the most visible links to the former regime.

This chapter is organized around the core individuals of the networks examined in previous chapters. It traces some of their attempts to renegotiate networks (between international and high-level domestic connections) through the short Muslim Brotherhood era (2012-2013) to the rise of the military-backed regime—the latter development highlighting the dividends of military capital. Through the employment of cosmopolitan and/or military connections, we find the persistence of lucrative resource capture—despite domestic regime change, institutional instability and economic crisis at the national level. Alongside key individuals, this chapter also traces the outcomes of some of the central 'quasi-governmental' organizations discussed in previous chapters, the fates of which similarly offer examples of both persistence as well as disruption of elite resource capture.

This chapter is particularly unique as it corresponds to my fieldwork temporally, which coincided with the overthrow of the Muslim Brotherhood (July 2013) into the Sisi era, thus offering greater access to an important moment in network reconfiguration following regime change. Investigation of this period also proves analytically valuable as it illustrates a core principle of the business-state assemblage: Fluidity; 'Assemblages are in constant variation, are themselves constantly subject to transformations' (Deleuze and Guattari 1987, 82).

* * *

1. Abouleish, Nadim, Rashid: 'Victims of the Former Regime'[258]

In the immediate aftermath of the 25 January Revolution, a number of businessmen were apprehended or subject to travel ban. As discussed in Chapter 5, former IMC Chairmen, Abouleish and Nadim, along with their 'public' partner, Minister Rashid, could be found in the earliest batch of those facing prosecution.[259] Abouleish spent approximately three months in prison before being released and fined on charges of squandering public funds, and, following years of re-trials and postponements, the court closed Nadim's case, ruling him innocent in January 2014.[260] For his part, former Minister Rashid fled the country in the immediate post-Revolution period, and spent nearly six years in exile before reaching an agreement with Egypt's special committee set up for recovering embezzled funds in late 2016. The court dropped his four cases in exchange for a settlement fee of LE 528 million (apx. $60 million) (*BBC Arabic* 2016).[261]

Notably, all three of these men—amongst the first accused during the revolutionary shake-up—suffered a shortage of military capital in their otherwise abundant portfolios. This capital deficiency likely accounted for their inability to evade the Egyptian courts, as many other elite businessmen guilty of far more egregious forms of resource capture managed to do (discussed below). However, what these individuals lacked in military links, they compensated for in cosmopolitan capital—a fact that would cushion the post-Revolution blow, and ensure their continued prosperity.

[258] In an interview following his release from prison, Abouleish commented that he did not see himself as a victim of the Revolution, but rather of the former regime (Sekem 2011).
[259] Steel tycoon and close friend of Gamal Mubarak, Ahmed Ezz, was also among the early accused. Like Abouleish, he faced legal attack in the midst of the Revolution's protests, even before Mubarak's departure from the presidency on 11 February 2011 (Kirkpatrick and Afify 2011).
[260] This fact confirmed by individuals close to Nadim.
[261] For details of his additional cases see, *BBC Arabic* 2016.

As Helmy Abouleish's father (CEO of the family's Sekem Holding Group), Ibrahim Abouleish, explained in the Group's sustainability report:

> An entity that works like SEKEM does not function on its own; it is embedded in different networks. On the one hand, SEKEM made numerous connections to economic partners all over the globe, and so became part of the world. On the other hand the network also includes friends from the cultural and political sections, through which SEKEM is taking an active role in shaping the world (Sekem 2008, 53).

Indeed, as Mr. Abouleish describes, through a web of international networks the family business has become 'part of the world,' a status ensuring continued returns despite regime change and economic woes on the national level. When I visited Mr. Abouleish in 2013, he was working on plans for greater land expansion of his pharmaceutical and agricultural facilities on the outskirts of Cairo. And as of 2016, Abouleish continues to grow his companies both in Egypt and abroad, benefiting from the early gains in machine upgrades, employer training and land acquisition, all of which were heavily subsidized by European and Egyptian public funding during the Businessmen Cabinet era ("Interview Helmy" 2016).

Similarly, Nadim's participation in the Public Private networks also demonstrated continued returns in cosmopolitan capital. In the early days of his trials in mid-2011, Nadim published a statement on one of his social media accounts answering the oft-asked question: did he regret his participation in the organizations of the Rashid era in light of the legal fallout? His post, written in English, offered a resounding no, accompanied by a list of what he took pride in from his time at the Industrial Modernization Center. Nadim concludes: 'I am mostly proud that when I started public work I had maybe thirty contacts on my mobile today the list extends to thousands that compose my huge family

of friends.'[262] Together with his extended networks of international contacts, Mr. Nadim's family furniture company continues to flourish, with 2015 and 2016 bringing a handful of new contracts to furnish Parisian hotels and luxury Egyptian resorts ("Nadim Industries" 2016).

But while the preserved international networks of Abouleish and Nadim offer a case of network persistence in terms of their cosmopolitan capital, the pair's ties to top decision makers seem to have gone with the departure of their chief public partner, Minister Rashid. The 2005 act of bringing the once-independent Industrial Modernization Center into a concert of Public Private Partnership with the Ministry of Industry and Trade would now work against the original visionaries. With the cabinet change, the IMC (along with its remaining endowment) was passed to a new group of individuals, leaving the ensuing Ministers of Industry and Trade as the ultimate arbiters of funds.

While Abouleish and Nadim lost the Modernization Center to subsequent bureaucracies, ExpoLink was instead stripped of its status as 'quasi-governmental' organization to be returned to its position as a 'private sector' body. During the first post-Revolution board meeting of the Export Development Fund, new Minister of Industry and Trade Mahmoud Eissa—assuming Rashid's former positions as Chairman of the EDF—confirmed that he had disqualified ExpoLink from serving as the official agent responsible for organizing Egypt's trade exhibitions 'seeing as it is a non-governmental organization [*gama'aya ahlaya*]' (EDF Minutes 2012, 3).[263] The new designation thus

[262] Post published on the Facebook page of Adham Nadim on 13 May 2011.
[263] Additional board members participating in the meeting included a handful of Minister Eissa's colleagues in the interim cabinet along with EDF Executive Director, Mohammed Ragui (EDF Minutes 2012). As for accessing EDF funds and export support, Ragui presented the new suggested rules: The sector-specific Export Councils would submit an annual plan for the exhibitions in which they would like to participate. Leaders from each of the Export Councils would then gather to present their proposals to a committee comprised of representatives from the erstwhile neglected General Organization for International

barred ExpoLink's access to the public coffers that was once provided through the Export Fund.[264]

* * *

2. Alaa Ezz: the Quintessential Skilled Broker

While Abouleish, Nadim and Rashid served as the faces of the enviable cosmopolitan business elite—thus making them easy targets of post-Revolution resentment—others commanding less prominent positions maintained their roles as skilled brokers, uninterrupted. This is particularly apparent in the continued omnipresence of one of our central *mediators*, Mr. Alaa Ezz.

We may recall Mr. Ezz from Chapter 5 for his abundance of cosmopolitan capital[265] and quasi-governmental hats.[266] Ezz would continue his work, connecting international donors with subsequent cabinets and regimes. Indeed, Mr. Ezz's work as skilled broker had not been put on hold in the Brotherhood era. A self-described pragmatist, Ezz played his role regardless of who was holding the reigns. During the early days of Morsi's tenure, for example, he organized a conference bringing together

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Exhibitions & Fairs (GOIEF), the governmental Commercial Services Office, the Export Development Fund, and a representative of the presiding Minster of Industry and Trade. Once the committee approved the plans, they would then be presented to the executive board of the GOIEF, and the projects would be offered financial support by the Minister of Industry and Trade, contingent on GOIEF backing (EDF Minutes 2012, 3). The bureaucrats would thus be reintegrated into the web of rent streams and returned to their positions as joint gatekeepers.

[264] Still, some social capital does persist within the ExpoLink executive. Mr. Mohammed Kassem remains on the board of directors, and Nadim Furniture continues to command a prominent booth at the annual international trade fair, Furnex, sponsored by ExpoLink and the Furniture Export Council.

[265] Mr. Ezz's mother was British, his father Egyptian, and he was born in the U.S. He held three passports, and boasted to me during our interview that he would shuffle them around in his front pocket in the passport lines. Demonstrating his assets as a skilled broker, he explained, 'When *you* go to Europe, you have to wait in the "Others" line. I just walk right through.'

[266] Recall, Mr. Ezz simultaneously commanded the positions of Secretary General of the Egyptian Federation of Chambers of Commerce, Secretary General of the Confederation of Egyptian European Business Associations, top organizer of the MedaFinance and *Invest in Med* initiatives, and chief advisor to Mr. Zorba in his capacity as Chairman of the Federation of Egyptian Industries, BusinesMed and MedAlliance.

Brotherhood Cabinet members and top representatives of the European Commission, along with a select group of European and Egyptian businesspeople ("EU Egypt Task Force" 2012). Demonstrating Ezz's fluency in the organizational styles of cosmopolitan conventions, the sessions of the conference would be 'moderated Davos-style.' Panel leaders included a mix of top businessmen from the Businessmen Cabinet's PPP beneficiaries alongside rising Brotherhood Businessmen. In one session (moderated by Mr. Ezz), Zorba and Khamis sat alongside the chief Brotherhood businessman representative, Hassan Malek. Molding the new assemblage, the team presented the Brotherhood Cabinet and European investors with ideas on how to 'stimulat[e] strategic alliances and joint investment.' Following a 'networking coffee break,' representatives from the European donor community (EIB, EBRD et al) then presented a panel on EU 'funding available for business' (*ibid*).

In the weeks following Morsi's overthrow (July 2013), I met with Ezz at the Marriott Hotel, a former palace from the days of Egypt's monarchy located in the upscale neighborhood of Zamalek.[267] I waited for Ezz in a quiet corner of the palace's garden café. 'Clearly you don't know how to pick a place here,' he said upon arriving. We relocated, instead, to a table beside the main entrance leading to a marble staircase and the palace's opulent reception. His strategic positioning became evident as the evening continued and we were met with a young woman, a higher up at the Ministry of Industry and Trade, followed by Maged Osman, former Minister of Information and Telecommunication. 'We missed you at the Iftar dinner!' Ezz exclaimed as he greeted Mr. Osman.

[267] The meeting took place on 31 July 2013.

Ezz had just finished describing to me the Ramadan feast he had organized the previous week, bringing together 14 ministers of the new cabinet—most of whom had some relation to the economy, others not directly, but, as Mr. Ezz explained, 'I know I'll need them soon.' Two weeks prior to our meeting, the transitional cabinet of Hazem Biblawi had been sworn in to replace the Brotherhood Cabinet, ousted by the military on 3 July. The country's political economy opened a new phase of transition, and Ezz was there to serve as midwife.

Shortly following the election of President Sisi (March 2015), I contacted Mr. Ezz again. He was busy preparing for Sisi's Economic Development Conference ('Egypt the Future')—a three-day event bringing together high-profile participants including IMF Managing Director, Christine Lagarde, and the UK's erstwhile Middle East Envoy, Tony Blair, along with top Egyptian and international business representatives. The Economic Conference solidified the new military President's international legitimacy that was, until then, still under great debate following the bloody repression of Brotherhood supporters.[268]

Ezz served as ambassador for the Conference, travelling to Brussels, Barcelona and Beirut in the lead-up to the summit that offered similar attractions to those provided during both the Mubarak era (such as the *Invest in Med* annual conference of Chapter 5) and the Brotherhood era conference described above. Demonstrating the persistence of networks facilitated by organizational platforms of earlier times, Ezz executed his conference preparations in his capacity of Secretary General of the FECC (Chapters 4 and 5) and CEEBA (Chapter 5). Meanwhile, tracing the flow of economic capital, we

[268] See Shenker 2015 and Corkery and Khalil 2015 for a critical assessment of the Conference.

find EU representatives present grants and financial instruments through the platforms of MedAlliance and BusinessMed (Chapter 5) at Sisi's economic extravaganza (Samir 2015).[269] As attendance at the conference was by exclusive invitation only,[270] it is unlikely that any of these opportunities would have reached beyond the elite participants.

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3. Zorba and Kassem: *Mohendes el QIZ* and His Sidekick

As for Mr. Kassem, starting as a public sector commercial attaché to the US before moving into the 'private sector,' we find a similar preservation of his role as a 'quasi-governmental' *mediator*. This persistence is perhaps best exemplified by his participation in subsequent developments regarding the QIZ agreement (Chapters 6 and 7). The value of cosmopolitan capital is particularly pronounced in this trilateral trade arrangement. In the post-Revolution period, we find the return of the central networks cultivated around the early implementation of the QIZ reassert themselves to continue to capture spaces of representation—which, in the world of business, means the capture of lucrative markets.

At a Las Vegas summit for textile sourcing ('Sourcing at Magic') in March 2015, a joint Egyptian-Israeli-American delegation gathered with top US retailers. President of the US Fashion Industry Association, Julia Hughes, described the nature of the event: 'In between visits to the show floor and slot machines, we discussed the big issues,' chief amongst them, opportunities offered by the QIZ agreement (Hughes 2015).[271] Kassem

[269] We may recall Zorba served as BusinessMed and MedAlliance President with Ezz as his chief advisor.
[270] The conference organizers rejected the application of one of my contacts with two million dollars in investments in Egypt. According to my contact, the conference was instead meant for individuals ready to invest in the tens of millions.
[271] Hughes praised the friendships that were cultivated around the QIZ agreement, noting: 'That friendship was on display during a lovely dinner after the seminar that brought together U.S. brands and retailers with manufacturers and officials from Egypt and Israel' (Hughes 2015).

and Gabi Bar (QIZ Director for the Israeli Foreign Trade Administration from Chapter 7) sat on a panel headed by US Trade Representative for Textiles, Gail Strickler, to present the benefits of buying from the Egyptian-Israeli sources.

Tracing earlier connections, we may recall from the previous chapter that Strickler had met with Kassem during her first trip to Cairo as America's 'ambassador for textiles' in 2009. As described in Chapter 7, Strickler proposed to a group of Egyptian QIZ garment producers that Egypt import US cotton—a proposal for which Kassem, Egypt's de facto Minister of Textiles, [272] expressed interest. At the 2015 Vegas gathering, representatives of Cotton Inc.—a trade organization funded by US cotton growers via the Cotton Board—sat alongside the handful of prominent US retailers (potential buyers for the Egyptian garment producers). The Cotton Board, we may recall from Chapter 7, had a mission to 'expand domestic and foreign markets and uses for cotton' ("The Cotton Board" 2016)—a mission shared by Ms. Strickler who, in addition to her 'public' position as US Trade Representative for Textile, also sat on the Cotton Board.

Such collaboration suggested that Egypt's already struggling cotton industry should not expect support in the near future. Instead, benefits from these early networks of Public Private Partnerships would more likely be channeled to the eight Egyptian garment companies, along with the Israeli businessmen *mediators* and US cotton lobbyists, who were invited to partake in the Vegas meeting. Chief amongst the Egyptian team: Kassem and Mr. Zorba's son, Waleed.

[272] As discussed in Chapter 6, Kassem was appointed President of the High Council on Textiles, which he described the as the 'politically acceptable alternative' to a Ministry of Textiles (Author interview 16 August 2013).

The international QIZ team would reunite a few months later in New York City for a similar event ('The Sourcing Journal Summit').[273] As described by Israel's Commercial Mission based at the Israeli Embassy in DC, the Summit offered 'an exclusive gathering of top policy experts, high-level executives, and supply chain leaders in the textiles and apparel industry' ("Israeli Ministry" n.d.). At the 'exclusive gathering,' the transnational networks of 'public' and 'private' sector representative were granted the opportunity to pursue their respective interests, while leaving those deficient in cosmopolitan capital outside of their international 'closed circle.' Demonstrating that the ambiguous 'quasi-governmental' nature of individuals and organizations was not unique to Egypt, Strickler announced at the New York Summit that the conference would be her last—she would now be 'stepping down from her official government capacity in favor of a role in the private sector' (Donaldson 2015).[274]

As for Mr. Kassem's 'quasi-governmental' posts, as of 2016, Kassem remains in his positions as RMG Export Council Chairman, ExpoLink board member, and President of the High Council on Textiles (Chapters 5 and 6). It is perhaps unsurprising then that there is nothing to indicate the RMG Export Council or its system of representation has become any more inclusive. Instead, when questioned with regard to the possible inequity of the export rebate system (Chapter 5), Kassem replied that it was an 'empty debate' (Nowar 2016). He dismissed the importance of the firm recipient's size, and instead highlighted that all beneficiaries were *Egyptian*, suggesting a broadly shared benefit to the nation (*ibid*). Regarding criteria for receiving the rebate, Mr. Kassem explained that

[273] The Vegas and New York summits would occur annually, continuing to serve as platforms for the joint Egyptian-Israeli delegations to promote top QIZ participants, who as discussed in Chapter 6, represented a fairly small group of individuals.

[274] We may recall that before entering the 'public' sector, Strickler operated in the 'private' sector as Vice President of the Global Apparel Division for a large US textile firm, Duro Textile.

each sector defined its own standards and presented them to the government, which would ultimately decide. In his position at the head of Rashid-era quasi-governmental vestiges, Mr. Kassem would have no small role in defining these standards for selection. Meanwhile, the RMG Export Council (Chapter 6) headquarters remains in a tower of the Ministry of Finance, where Mr. Kassem's assistant is stationed to facilitate the ease of productive 'business-state relations.'

Mr. Zorba would similarly remain in many of his 'quasi-governmental' posts after the 2011 Revolution. He maintained the position of Federation of Egyptian Industries (FEI) (Chapters 4 and 5) President for an additional two years. And from this platform, as noted above, Zorba would continue to serve as a chief interlocutor for international donors at the conferences organized by his assistant, Alaa Ezz.

At the organizational level, the fate of the post-Revolution FEI also demonstrates the persistence of elite resource capture facilitated by cosmopolitan links. Following the early infiltration of the FEI by the Gamal cohort during the US-funded project to privatize the association (Chapter 4), the Federation continues to suffer from a dearth of representation. Its leadership structure remains institutionalized to grant voice only to top-level businessmen, despite attempts by smaller firms for more representative inclusion.[275] In 2013, Zorba passed the position to Mohammed Elsewedy—whom we may recall (Chapter 4) as the billionaire businessman of the monopoly electric cables family with close ties to Mubarak.[276]

[275] See for example, Hussein 2013.

[276] Elsewedy had also been integrated into the web of Rashid era PPPs and international rent streams as head of the Industrial Training Center (ITC), which was the central vocational training body utilized by the IMC under Helmy and Nadim's tenure (*Daily News Egypt* 2008). While connected individuals such as the two IMC Chairmen (Helmy and Nadim) as well as Khamis and Arafa managed to access lucrative support to train their workers, most were not so lucky (discussed in Chapter 5).

As for Zorba's QIZ connections, following the initial signing, Zorba delegated his QIZ networks along with the reigns of the family's garment subsidiaries to his sons (Chapter 7 and above). In his retirement, he would instead direct attention to his various positions on private sector boards. Perhaps his most lucrative position included a seat on the board of a leading investment and private equity firm, EK Holding. Facilitated by the economic liberalization of the 2000s, the firm had earlier secured profitable partnerships with the Egyptian military (Marshall and Stacher 2012). Through the private equity investment scheme (discussed in Chapter 5), EK Holding board members were able to share in tremendous gains on their Public Private Partnerships—in this case with the 'public' represented by Egypt's top brass.[277]

* * *

4. Arafa: The King of RMG

As for our third member of *shillat el QIZ*, Mr. Arafa would also continue to employ his cosmopolitan and military capital following the 2011 Revolution to great effect. Expanding his Israeli partnerships from garments to gas, Arafa signed a $1.2 billion deal to import the latter from Israel in 2015 (Feteha and Elyan 2015).[278] And as demonstrated in Chapter 5, Arafa's early access to the public coffers through the Export Development Fund would not only continue, but increase following Mubarak's ouster.

[277] One example offered by Marshall and Stacher (2012) includes a partnership between a Kharafi subsidiary and the Ministry of Military Production in shared ownership of the largest oil and gas piping manufacturer in the region (International Pipe Industry Company). Kharafi subsidiaries control 60 percent (25 percent held by EK Holding) (EK Holding 2006), and the military ministry 10 percent (2). For details on additional partnerships between Kharafi Group and the military see: Marshall and Stacher (2012, 2). Mr. Alfi, a key member of the Rashid-era PPPs, also served as the Kharafi Group's 'managing director' and top Egyptian representative—key to facilitating the joint ventures with the military (Roll 2013, 10).

[278] In 2015 Arafa co-founded a gas trading company, Dolphinus Holding, as the vehicle to sign the deal. However, as with his early lobbying for QIZ expansion, Arafa has found his plan, as of December 2016, impeded by uncooperative international actors. Although Arafa and his Israeli counterparts have reached an agreement, the currently existing pipeline connecting the two countries (once majority owned by Mubarak crony, Hussein Salem) has subsequently been sold to a spread of international shareholders who are not party to the deal (Udasin 2016).

I met with Mr. Arafa less than a week after Egypt's security forces had violently dispersed demonstrators who had been occupying two Cairo squares in protest to Morsi's ousting the previous month. The incident, resulting in over 1,000 civilian deaths, added a definitive nail in the coffin to the fate of the recently ousted Brotherhood regime. The following brief *interlude* attempts to shed light on some of the channels through which Arafa worked to preserve or renegotiate his networks in the post-Mubarak period.

Interlude: from Morsi to Military

Mr. Arafa crossed the floor of the Semiramis hotel café at impressive speed. He was in good spirits, it seemed. His previous interlocutor, a representative from the US embassy, followed behind awkwardly in navy blue suit. The latter and I exchanged brief glances and a strange head bow before his departure.

'Listen,' Mr. Arafa said as we began our interview. 'Today we speak only economy. Let's forget about politics.' I agreed obligingly. But after 15 minutes of Mr. Arafa's explanation of the importance of exports, economic zones ('particularly QIZs'), and cheap labor for Egyptian businesses, the conversation veered to the inevitable.

'Wallahi ana mabsoot!' (I'm very happy!), Mr. Arafa said. Six days previously, the 'clearing of the squares,' known to some as the 'Rabaa Massacre,' had set the tone for the future of the Egyptian military's approach to domestic dissent by Brotherhood supporters. Adhering to our agreement to leave out the politics, I had asked how he was coping in the current economic climate given recent events: 'It must be bad for business?'

I was corrected. Arafa continued his celebration: *'Ana Hassis in balidna ragaa'itlina'* (I feel like the country has been returned to us). 'It was occupied. Do you know what occupied means? For the last two and a half years the Brotherhood were

occupying us.' He explained that immediately following the 25 January Revolution, the Brotherhood had 'taken control of the political situation' [*kano biyisaytaroo 'ala el mowqif el siyasi*].

From his exuberance at their departure, I guessed he did not have the best relationship with the Brotherhood era government. But wrong again.

> On the contrary! I tried to help them. I tried a lot! Look at the ECES—it's *the most important think tank in Egypt and I am the Chairman*.[279] We organized sessions and gave them documents. Go to the headquarters and ask there. Hassan Malek [prominent Brotherhood businessman, appointed by Morsi to liaise with Egypt's business community], he attended. We wanted to teach them. *We gave them lists of what to do and what not to do*. We told them that Egypt had to export gas. Sarah, they wanted to export gas and take it for the Brotherhood [*el gama'aya*]! Look, we have to do what's in the best interest of the country [*el balad*]. We have a responsibility to do what's in the best interest for the country. They want what's in the best interest for the Brotherhood [*el gama'aya*] before the interest of the nation [*el watan*], and that just can't happen. They weren't doing any *development*. Show me where is the *development* they've done?

However, as Mr. Arafa explained, the poor result was not for lack of trying: 'The Brotherhood wanted to learn. They made this group called *tawassul* with 24 businessmen. Many of them were Brotherhood.' In July 2012, the recently elected President Morsi had created *tawassul* to serve as the central mediator between him and the private sector (*Egypt Independent* 2012). The body, comprised of a small group of established business elites alongside Brotherhood businessmen, was also intended to serve as the central platform for negotiating post-Revolution corruption charges raised against its elite members (Roll 2013).

However, Mr. Arafa remained unimpressed. He continued: 'But Sarah, they have everything wrong. There's no *exposure*, there are no *experts, there are language barriers*. *They are not professional*.' The Brotherhood lacked the cosmopolitan capital that until

[279] Throughout our interview, Arafa flowed seamlessly between English and Arabic. English portions denoted with italics.

the Revolution had assumed such unequivocal dominance (alongside that of the military) in Egypt's capital hierarchy. To Mr. Arafa, their domestic portfolios did not suit the globalized world of the twenty-first century. It simply was not appropriate for a 'modern' Egypt. But, there was another, perhaps more important, issue to consider.

'The *biggest* problem,' Arafa continued, 'was *el sama' w el tama'* (listening and obeying).' Mr. Arafa's Brotherhood interlocutors (Hassan Malek the apparent point person along with other Brotherhood businessmen) took orders from a higher power.

> I would always ask Hassan Malek: 'Where do you play on the team? Are you standing in the goal? Or playing *forward* or *defense*? Or are you giving massages and carrying the towels? Where do you play on the team??' We would give them advice, tell them to do this and that and they would say 'ok, ok.' Then they would go to their *superiors* and return and say: 'No, sorry, we can't do that.'

Mr. Arafa offered an instance of when this dynamic had been the cause of considerable consternation: 'For example, we told them [Prime Minister] Qandil had to go. And then what?' 'He didn't go,' I responded on cue. The *biggest* problem, it seemed, was that Arafa and his ECES colleagues no longer had direct access to the people making decisions. They could no longer make the 'rules of the game.'

Mr. Arafa's frustration with his interlocutors' lack of compliance flowed seamlessly into an apparently well-rehearsed argument, neatly packaged for his Western audience: 'Sarah, you have to understand, the Brotherhood is a terrorist cell.' '*All* of them are terrorists?' I asked. He explained in terms he thought I would be able to understand:

> Look, do you know the *'abaya*?[280] Under the big *abaya everyone is included*. The Gamaa' el Islamaya, the Brotherhood, Hamas. If I told you 'Sarah go kill' and you killed. Who is the terrorist? Both of us. Not all of them kill, but all of them are under the same *abaya*. You see?[281]

[280] Long flowing cloak, typically worn by women in conservative Muslim circles.
[281] Throughout our conversation, Mr. Arafa expertly alternated between discussing the Brotherhood's lack of transparency (thus barring him from the reigns of decision-making) and terrorism.

But what of Hassan Malek and Mr. Arafa's Brotherhood businessmen counterparts? I asked if during his meetings, Arafa sensed they were 'bad' people. 'No! Nice! They were very nice!' He said, before returning to their most egregious offense: 'The problem is the Brotherhood *are very hierarchical and they listen to their leaders without thinking*.'

Arafa's mobile buzzed. 'I only have a few more minutes, so ask me your final question.' I had arrived in Egypt on 2 July 2013 to start fieldwork for my original research project on the business association established under Brotherhood initiative: the Egyptian Business Development Association (EBDA). The association had been explicitly modeled off of a business group in Turkey whose core membership base emerged from what became known as the 'Anatolian Tigers.' The Tigers, a sizable group of small and medium-sized firms that exhibited impressive growth in the 1980s, have often been attributed with a period of relatively inclusive economic development in Turkey.[282] The Turkish business association MÜSIAD, had clear religious undertones and well-known links with the ruling Turkish Justice and Development Party (AKP). I was curious how, following the Revolution, the Brotherhood's Freedom and Justice Party (FJP) might try to emulate their neighbors to the North.

A day after I arrived, Morsi was ousted. And so I directed my research inquiry, instead, towards the likes of Mr. Arafa. For my final question, I wondered what Arafa thought about the now-aborted EBDA. Arafa explained:

> 'Issam Haddad [chief foreign relations advisor to President Morsi] and Hassan Malek came to me in the very beginning to join the association, but the picture still wasn't clear and I thought it might be something political, so I refused. *I have never participated in politics*. I was never in the NDP [National Democratic Party].'

[282] See for example, Demir, Acar and Toprak (2004).

Arafa offered a prime example for how the business-state divide played a convenient function for himself and his fellow members of Egypt's cosmopolitan elite. To his Western interlocutors, such as myself and the US Embassy representative who had just departed the Semiramis café, Arafa posited himself as a representative of the 'private' sector. He had 'never participated in politics.' Arafa had never been a member of the former ruling party, and therefore, his hands were ostensibly clean. However, as argued throughout this dissertation, Arafa had a number of other pathways, outside of explicit political parties, to exercise his influence.

Arafa's discussion was revealing not only with regard to the nature of his interaction with the Brotherhood administration, but also regarding how Arafa had become accustomed to operating in the pre-Revolution business-state assemblage. When he, as ECES Chairman, and his colleagues hosted cabinet members and told them what to do, they expected results. Meanwhile, in the international arena, Arafa's decades of cultivated cosmopolitan capital meant he was amongst the earliest interlocutors for Western diplomats as they decided how to respond to the ousting of a democratically elected leader, and the rise of a military-backed regime.

* * *

5. Khamis: The King of Carpets

Finally, Khamis—whose important military and cosmopolitan capital are discussed Chapters 4 and 5[283] —also reappears from the reform era business-state assemblage to offer support for the new military president. Like Mr. Arafa, Khamis did

[283] We may recall, Mr. Khamis commanded considerable US capital in particular. In particular, he built his business empire with the assistance of USAID funds, was the central driver behind the USAID-FEI 1994 'privatization' project, and described by a US embassy cable as a 'longtime embassy contact' (Chapter 4).

not appreciate being excluded from the top circle of decision-makers during Morsi's tenure.

A few days after President Sisi assumed office in June 2014, Khamis hosted British MPs at a lavish dinner to share with them his opinion on the ongoing crackdown of Brotherhood supporters (Nasralla 2014). Khamis' invitation to the British politicians came at a time when the UK was conducting a review of Brotherhood activities, and still determining its position on the new military president. At the event, Khamis showed a movie comprised of a montage of appearances by the ousted President Morsi, interspersed with footage of Islamist militants holding up severed heads and lighting churches on fire (*ibid*). As Reuters reported, Khamis introduced the film to the MPs saying: 'We have decided to make this short film…that gives you the truth about what happened in my country' (*ibid*).

In this period of regime transition, we find the utility of Khamis' unique blend of military and cosmopolitan capital in reconfiguring new networks of privilege. Khamis—who had organized a meeting between the British MPs and the newly elected President Sisi before the dinner (Nasralla 2014)—possessed a wealth of (British) cosmopolitan capital that would facilitate his business diplomacy. Khamis had earlier completed a PhD at England's Loughborough University ("BUE" n.d.), before expanding his carpet empire to the UK with a subsidiary company, Cambridge Weavers (Oriental Weavers 2009).

In addition to his donations of cosmopolitan capital, Khamis also offered Sisi capital of the economic variety. Shortly after assuming office in June 2014, President Sisi set up a fund, *Tahya Masr* ('Long Live Egypt'), to receive donations from the Egyptian business elite to bolster the country's floundering economy. Khamis, amongst the earliest

donors, contributed LE 30 million (Ramadan 2014). He would also be appointed to sit on the Fund committee, comprised of select businessmen and government officials, to manage the donations (*English Mubasher* 2014).

Khamis' generosity to the new regime would be reciprocated by the Sisi administration. The black box government of the Brotherhood era now removed, Khamis regained access to the top levers of 'the state.' Under Morsi, Egypt had strengthened political relations with Turkey, with new economic partnerships following in step. In 2012, the two countries signed the Ro-Ro Agreement, considerably bolstering Turkey's exports to Egypt.[284] However, increased trade liberalization with Turkey, a major carpet producer, did not appeal to Khamis, who until then had commanded an uncontested monopoly of Egypt's carpet market.

I met with Mr. Ziad, a high-level employee at Khamis' Oriental Weavers, in March 2015. During our conversation, Ziad offered an example of productive 'business-state collaboration' under the Sisi administration. As Mr. Ziad recounted, during Morsi's tenure, a 'huge amount' of Turkish carpet manufacturers had been allowed to sell their products on the Egyptian market. Following the Brotherhood ousting, there was a 'big movement [*taHaruk kibeer*]' by Oriental Weavers to remedy the market penetration. Khamis' company heads paid a visit to the new Minister of Supply and Internal Trade and presented a list of around 200 outlets which, they argued, did not have the proper paperwork.

'We wanted to make sure the government takes what it's entitled to,' Mr. Ziad explained. The Ministry closed the Turkish outlets, and Egyptian industry was protected.

[284] See for example, Davison 2015.

'But when did these shops close?' Ziad asked rhetorically. 'Only when Oriental Weavers felt it was harmed and took the initiative to go to the government.' Mr. Ziad added hastily, 'but of course, the government didn't just pay attention to the situation for the benefits of Oriental Weavers, but because truly the Egyptian industry is threatened by Turkey.' However, as Khamis dominated 90 percent of Egypt's carpet market (Oriental Weavers 2009), it is unlikely the closures benefited many others.

As Mr. Ziad explained, this was just one example of how Khamis collaborated with the government to promote economic development in Egypt. 'Thanks to old relationships [*el 'aaliqawt el 'adeema*] between the company and the ministers and the governmental sector in Egypt, we can prevent a situation like that very easily.' Indeed, no doubt with the help of these old relations, Khamis was able to preserve early access to a number of lucrative rents from the Mubarak era. Despite the bankrupt state of the Egyptian economy, Khamis continued to access uninterrupted preferential credit lines from the government's Export Development Bank (Oriental Weavers 2015);[285] and government subsidies through the Export Development Fund (Chapter 5) amounting to, in 2015, nearly $5.8 million (Oriental Weavers 2015).

* * * * *

Conclusion

The purpose of this chapter was not to provide a comprehensive investigation of Egypt's post-25 January networks, but rather to offer a glimpse of some of the routes used by early reform winners to preserve their capture of resources and representation, despite revolution and regime change. This chapter has offered a brief look at some of the

[285] For more on the extent of the value of this government credit see, Roll 2010.

mechanisms through which elite networks have been maintained or reconfigured, ultimately resulting in various forms of economic exclusion for the Egyptian majority.

While some networks of capture from the Businessmen Cabinet era reforms were dismantled, numerous others remained. The IMC, which stood at the center of the Rashid era web of PPPs, no longer served the group of globalizers that once commanded the Center's well-endowed budget. However, other 'quasi-governmental' vestiges (such as the remnants of USAID's privatization project in the FEI and the RMGEC) continued to offer platforms for business elites to leverage their wealth and connections in setting national policies, and liaising with international partners. Preferential trade agreements benefiting members of these early winners would be preserved (e.g. QIZ), while those that posed threats (e.g. the Ro-Ro Agreement) were eliminated. The QIZ cohort maintained lucrative transnational partnerships to expand their garment markets on the floors of Vegas alongside US cotton lobbyists, while Egypt's cotton farmers experienced another round of devastating subsidy cuts (Ahmed and Feteha 2015).

At the level of Egypt's top elites, Khamis and Arafa demonstrate the strength of accumulated capital resulting from Egypt's decades of neoliberal reforms.[286] While briefly threatened by exclusion during the Brotherhood administration, using their various shades of capital, they worked hard to ensure success for the military overthrow of the democratically elected government. Despite the Morsi administration's overtures to include Mr. Arafa, the garment king was not content to be a voice among many. He much preferred the *diera mughlaqa* of the Mubarak era. The new Sisi regime allowed him that preservation.

[286] As detailed in the preceding chapters, both men were major beneficiaries of liberalizing policies of the 1990s, including early access to USAID funding.

However, these Egyptian elites, skilled brokers and organizations were not the only components of Egypt's post-Revolution business-state assemblage of exclusion. International proponents of neoliberalism also played their part in shaping Egypt's post-Mubarak political economy.

Sisi's March 2015 Economic Development Conference, 'Egypt the Future,' set the tone for the international community's approach to the assemblage under construction. And at the conference, each component played its part. Alaa Ezz used his organizational platforms to garner international support in the lead-up to the conference. Khamis and Arafa networked with the international community of donors and investors in attendance to assure them that, now that the former regime of terrorists had been expunged, Egypt was 'open for business.' Tony Blair, former British Prime Minister the UK's erstwhile Middle East envoy (a 'public' position), took it upon himself to advise the new President Sisi on economic reform (Milne 2014), and participated as a central conference organizer, together with the Emirati team of interested investors. For her part, Christine Lagarde, IMF Managing Director, offered praise for Sisi's early reforms to attract investors, adding in her conference speech, 'The journey to higher growth has already begun' (*Ahram Online* 2015).

In November 2016, Sisi secured the long-postponed loan for $12 billion from the IMF, subjecting the country's majority to painful conditionalities. A week earlier, to coax the IMF approval, the Sisi administration had floated the Egyptian currency, resulting in a sharp devaluation. The pound lost over half of its value in the immediate post-flotation period, devastating Egypt's cosmopolitan capital-deficient (*Ahram Online* 2016).[287] As for those more well-endowed, the devaluation offered lucrative opportunities. The goods

[287] The pound had previously been set at a fixed rate of LE 8.8 to the US dollar.

of Egypt's major exporters (such as Zorba, Arafa and Khamis) became more attractive to foreign buyers, thus increasing sales and access to international currency; And currency speculators, both Egyptian and international, with capital enough to participate in the financial scheme (made possible by Egypt's earlier financial liberalizing reforms) were now offered a path to experience astronomical gains.

Additional austerity measures demanded by the terms of the loan can similarly be expected to punish the Egyptian majority. On its website, the IMF responds a question regarding what will be done to 'shelter the poor and vulnerable' from the effects of Egypt's impending reforms. The IMF offers little reassurance, stating 'Social protection is a cornerstone in the government's reform program' ("IMF" 2016). However, if the past is any indication of the future, there is reason to be skeptical that such 'social protection' will be forthcoming. Instead, Egypt's Sisi era business-state assemblage, ruled by military and cosmopolitan capital, seems better positioned to perpetuate international networks of exclusion.

* * * * * * * * * * *

Conclusion

Springborg and Henry's (2010) 'globalization dialectic' has offered a frame for this dissertation. We may recall, like the colonial dialectic, the globalization dialectic refers to ideas defining elite-mass relations (5)—or the contemporary manifestation of historic colonial dynamics between international and domestic elites on the one hand, and domestic elites and 'the masses' on the other. As this dissertation has attempted to demonstrate, the Washington Consensus thesis central to the globalization dialectic has proven quite lucrative for cross-border partnerships of elites, while leaving a widening gap between reform 'winners' and 'losers.'

The neoliberal tenants of financial deregulation and trade liberalization—resulting in the increased mobility of money and goods—have enhanced the ability of large capital holders, irrespective of birthplace, to exploit the weak currencies and weak institutions of 'developing' countries. Meanwhile, privatization has simultaneously expanded opportunities for crony capitalism in the domestic realm, while also opening doors for partnerships between international actors and the newly empowered group of indigenous elites.

As demonstrated in the preceding chapters, such a shift has complicated both the domestic-international as well as business-state divide. We find, instead, a number of individuals operating at the nexus between each respective category. From this vantage point—straddling the international and domestic, as well as the 'public' and 'private'—these individuals have been granted access to tremendous resources. Consequently, this dissertation has posited measures of *cosmopolitan capital,* rather than the categories above, as an alternative frame for understanding the nature of dynamics shaping contemporary political economies.

* * *

Recall Springborg and Henry's (2010) proposition:

> The emerging crony capitalism in the [MENA] region may not be a merely transitional, functional phase for further development of a productive market economy, since another plausible scenario is that the present state-dependent, crony capitalism may have created a nexus between the political elite and successful businessmen that is too central to the system, too institutionalized, and too remunerative to both sides for it to be easily broken (162).

The Arab Spring has thrown additional variables into the equation, stigmatizing many of the former 'political elite' and changing the dynamics of relations within the ruling regimes. In the case of Egypt, we have seen two regime changes and numerous cabinet shuffles in the six years following the overthrow of President Mubarak. As consequence, discussion of a nexus between the 'political elite' and 'successful businessmen' becomes more complicated. Instead, as discussed in Chapter 8, what we see is the persisting influence of these economic elites in the political arena, regardless of who occupies the seat of power at any given time.

This group's tremendous amounts of socio-economic capital accumulated over the years of privileges apportioned to them during the market liberalizing reforms of the

1990s and 2000s has, indeed, created a new reality with regard to 'business-state relations.' The internationalization of their wealth through the increased ease of transferring capital out of Egypt into international banks has shielded this group from the full brunt of domestic instability. So too has their business expansion into the international arena—both via market penetration as well as economic collaboration.[288]

And yet, the source of this internationalized wealth has been derived from Egypt's resources (be it state subsidies, tailor-made industrial policies, tax exemptions, market monopolization, cheap labor, or often, all of the above). Such a dynamic of international mobility and access to domestic wealth has created a new beast in Egypt's political economy arena, with the result that the category 'Egyptian businessmen' seems less appropriate for this particular group than that of 'cosmopolite elites.' Their international capital, both economic and social, has empowered this group of Egyptian-born economic elites to new levels.

As a corollary to this elite dominance of Egypt's political economy, we find the economic exclusion of the majority. The guiding question of this dissertation asked: *What accounts for Egypt's 'Missing Middle,'* or deficit of medium-size firms (Al-Yahya and Airey 2012)? Why have so many Egyptians been condemned to remain small economic actors, while so few have experienced great economic success? Another way to ask this question is: Why has Egypt's encounter with economic liberalization been so unequal, even despite the 'pro-poor' policy shift of international donors providing millions in funding for 'SME' assistance?

[288] An example of the latter: Arafa's shared ownership of British, Israeli and Italian firms.

This dissertation has offered three hypotheses to explain Egypt's enduring inequality during the country's 'second wave' of reforms (2003-2011):

> (1) The nature of Egypt's 'business-state relations,' manifested to highly varied effects depending on the socio-economic position of individual business actors;
>
> (2) Elite cooption of national economic development programs, with the complicity of international donors interested in promoting economic liberalization and geostrategic concerns; and relatedly,
>
> (3) The institutionalization of elite privilege, transcending domestic-international and business-state divides, through the vehicle of 'Public Private Partnerships' (PPPs), which facilitated the creation of laws and industrial policies to entrench future gains.

To examine these hypotheses, I have highlighted the 'analytical imperative of examining networks' (Haddad 2012, xiv) functioning behind the scenes during Egypt's reform experience. I have attempted to demonstrate the centrality of networks—and the various formal and informal channels in which they were embedded—in understanding how reform processes played out. Through this examination I have attempted to contribute to the literature on networks and elite resource capture during periods of economic reform (Heydemann et al 2004; Haddad 2012; Hertog 2011; Adly 2011); and the political economy literature regarding the 'politics of policy' (Robinson 2009).

A central objective of this dissertation has been to offer anthropological details of these networks defining Egypt's reform process. I aimed not only to shed light on the nature of transactions operating within elite circles, but of equal importance, on those functioning at lower-levels of the socio-economic hierarchy. I began this dissertation by offering a reconceptualization of 'business-state relations'—emphasizing 'social situatedness' (Ferguson and Gupta 2002) as a factor more important than institutional identifiers (i.e. 'business' or 'state'). As posited in Chapter 2, regardless of whether individuals represented 'business' or the 'state,' those lacking cosmopolitan capital

and/or high-level domestic connections suffered similar exclusion from the country's macro-level economic prosperity. At the tier of low-level bureaucrat and micro-small entrepreneur, Egyptians' reform experience was one of marginalization and collaborations of convenience, with networks operating at this tier affording a subsistence-level existence.

Chapters 4 through 8 explored how the networks comprising 'business-state relations' instead manifested themselves at the level of the cosmopolitan elite. Here, the 'social situatedness' of actors similarly outweighed considerations of juridical divisions between the 'private' and 'public' sectors. Capital-rich individuals seamlessly operated in both realms to their advantage.

However, as I have attempted to demonstrate in the preceding chapters, traditional network theory tracing linkages between individuals offers an insufficient frame for examining the outcomes of Egypt's reform era. Instead, a more thorough understanding requires consideration of a wide range of actors—both human and non-human.

* * *

Egypt's Business-State Assemblage

Returning to the theory of *assemblage* (Deleuze and Guattari 1987), we may recall as two defining principles: (1) the heterogeneity of components, which are (2) to be considered on a single plane in a system of non-hierarchical relations. This notion of a unified consistency allows us to take into account diverse components—such as organizations, institutions, industrial policies and discourse—as comparable entities alongside individuals, in one system of analysis.

(1) Organizations

As Haddad (2012) posits, during the early processes of economic liberalization, informal networks serve as the main form of interaction between political and entrepreneurial elites as they learn to navigate 'new forms of economic governance and their attendant legal, institutional, and organizational correlates' (85). It is only with the accumulation of capital and confidence that these business actors complement their informal relations with more formal channels to handle the 'growing volume of economic transactions' (85).

In Egypt, during the reforms of the 1990s, these formal channels emerged in plenty to accommodate the growing economic transactions of USAID support. As Egyptian elites learned to navigate the openings offered by economic liberalization, they cast a web of organizations (Chapters 1 and 4) with the generous funding of their international counterparts. Using their early gains in capital, the Egyptian 'private' sector representatives rose to political positions, further blurring the already tenuous distinction between the 'public' and the 'private' with the rise of the Businessmen Cabinet. To complement the Businessmen Cabinet, many of the formal channels that emerged throughout the 2000s took the form of 'Public Private Partnerships.'

As I have argued, the ambiguity of the distinction between the two realms (public and private) inherent in the Public Private Partnership construction served a number of functions perpetuating economic exclusion. Most importantly, PPPs granted rents to empower a predatory elite, while simultaneously transferring state responsibility for 'SME inclusion' to the 'quasi-governmental' sector led by these individuals.

As examined in Chapter 5, the PPPs offered convenient platforms for economic exchange, providing both a 'landing' for international and domestic public funds, as well as a funnel for domestic economic elites to distribute rents to their circles. PPPs offered

access not only to direct economic capital, but also to enhanced elite-level social capital as those on the executive boards were able to strengthen their networks through the act of transactions. In the domestic realm, this took the form of rent distribution to members of the business-state elite. Meanwhile, in the international arena, PPP representatives were able to strengthen ties with foreign partners, thus securing both continued rent streams of development aid as well as markets for their exports.

For their part, international interlocutors found convenient partners for their liberalizing and investment aims. As Chapter 5 demonstrated, the networks of individuals formulated around the early business-support organizations (e.g. ExpoLink and the Industrial Modernization Center) reappeared as leaders of transnational business associations (e.g. BusinessMed and MedAlliance) to cement investment partnerships with their early international donors. Their previous collaboration through 'business development' organizations evolved into Public Private Partnerships in the form of private equity firm projects. The international donors offered economic capital, and Egyptian elites offered high-level social capital in the domestic realm, granting access to policy-makers and Egypt's national wealth.

The social and cultural capital possessed by the central actors of reform era PPPs served a key function in defining the nature of these transactions. Their cosmopolitan capital allowed them to play lucrative roles as *mediators* between international organizations and the domestic industrial policy space. These cosmopolitan elites used the discourse of 'SME promotion' as a ticket to gaining international financing. However, as highlighted in Chapters 4 and 5, rather than serve the ostensible 'SME' beneficiaries, these organizations instead channeled rent streams to the executive boards—dominated

by individuals possessing a wealth of cosmopolitan and/or high-level domestic connections.

Meanwhile, smaller firm owners were excluded from the conversation—lacking the necessary social and cultural capital (both channels to decision makers as well as linguistic skills) to participate. Smaller firms instead possessed a different kind of capital—which, as illustrated in Chapter 2, operates effectively in informal markets, where stagnation and *collaborations of convenience* reign. Within the PPPs, the interlocutors of these smaller economic actors took the form of the quasi-governmental bureaucrat examined in Chapter 3 and the *Interlude* following Chapter 5.

Chapter 3 offered an encounter with the Social Fund for Development—the 'quasi-governmental' body established alongside the first wave of Mubarak era liberalizing reforms in the 1990s to serve as a 'safety net' for the micro and small entrepreneurs of Chapter 2. Similarly, the *Interlude* following Chapter 5 provided a look at the quasi-governmental of the IMC, also established as a 'safety net' for Egyptian industry alongside increased economic opening with Europe. As demonstrated, these quasi-governmental bureaucrats demonstrated little by way of improvement compared to their more traditional counterparts functioning in the realm of 'the state.' Instead, they presented a similar regime of paperwork and nominal benefits of little substance to micro, small and medium-sized economic actors seeking assistance. These quasi-governmental bureaucrats also served a more insidious function, providing the regime of promotional material and technical discourse necessary to securing additional international funds, while simultaneously offering a guise of inclusive economic development.

(2) Industrial Policies and Institutions

Intertwined within this web of individuals and organizations, we also find industrial policies constituting a central component of the business-state assemblage. This dissertation has posited that if the economic reforms of the 90s constituted the era of privatization (Sfakianakis 2004) with well-positioned individuals gaining privileged access to state-owned enterprises transferred to the private sector, the 2000s should be seen as both the era of exports and the era of financialization.

As argued, with the deepening of economic liberalization, manipulation of industrial policies concerning exports became a central arena for entrenching the privileges gained from the privatizations of the 1990s (Chapters 5 and 6). So too did increased financial liberalization, facilitating the movement of Egyptian elites' capital, simultaneously enhancing their 'structural power' (Roll 2010) (Chapters 5 and 8).

The importance of exports for economic development in the context of globalized markets has been well established (Moreno-Brid and Paunovic 2008). But as Tambunan (2011) emphasizes, trade policy affects firms differently depending on their competitiveness in export markets. Not all firms see the benefits of trade liberalization. Thus, exploring who does (and does not) have access to export markets as well as how that access is secured is of utmost importance to understanding how the majority of Egyptians have been excluded from the country's economic growth of the early 2000s.

Accordingly, I have highlighted the importance of networks influencing trade policy—emphasizing both the linkages involved in policy negotiation as well as the channels emerging from the process through which economic privilege would be maintained.

As traced in Chapter 4, during the 'pro-private sector' reforms of the 90s USAID offered garment manufacturers (Zorba, Kassem and Arafa) substantial rents for their export promotion project, which doubled as a 'policy advocacy' body (ExpoLink of Chapters 4 and 5). This trio continued their sector domination in the 2000s, monopolizing channels of sector representation (FEI Textile Chamber and RMGEC); and securing Egypt's accession to the QIZ agreement, which would prove highly lucrative for the three men, as well as a relatively small group of individuals capable of participating under the agreement's terms.

As Robinson posits, 'If interests and institutions are not aligned then industry will not get promoted' (Robinson 2009, 9). As demonstrated in Chapter 6, the individuals central to designing and subsequently implementing the QIZ trade agreement (Zorba, Kassem and Arafa) lacked incentive to promote Egyptian industry at large. As RMG producers, their interests instead promoted an agreement with liberal rules of origin, thus allowing them to import cheap inputs from abroad rather than use Egyptian products.

Meanwhile, under the Businessmen Cabinet, the new Industrial Development Strategy would similarly be both designed and implemented by a small group of 'private sector' actors (with their 'public sector' counterparts) who lacked incentives for genuine national industrial development (Chapter 5). Through their web of Public Private Partnerships, they would become the central *mediators* for accessing both Egyptian and international public funding intended for 'industrial promotion.' As discussed in Chapter 5, the hundreds of millions of Euros did promote industrialization, however did so for a small group of individuals who stood as the core *skilled brokers* and others they chose to integrate into their web of rent streams.

(3) Discourse of Inclusion

In his final assessment of the Rashid era industrial policies, Loewe (2013) concludes: 'Everyone gained from the liberalization of the financial sector, the reorganization of the customs clearance system and the streamlining of administrative procedures' (76). Although he concedes that 'some benefited much more than others,' he maintains that the policies 'did not harm any specific groups' (76).

However, this dissertation has offered an alternative assessment of the Rashid era industrial policies. As argued in the preceding chapters, not everyone gained from the liberalization of the financial sector, nor from the streamlining of bureaucratic procedures. Furthermore, the differential access to these benefits did indeed harm specific groups, namely the capital poor. As highlighted in previous chapters, financial sector liberalization supported the rise of an economic elite so empowered by monetary gains that their supremacy in Egypt's political economic space has persisted, despite regime change, and will likely persist long into the future. The consequences of this entrenched influence can similarly be expected to fuel the continuation of a crony-based political economy, and the creation of policies benefiting the interests of the few, at the expense of the majority for years to come.

As for the streamlining of administrative procedures, access to the privilege of bypassing Egypt's dreaded bureaucracy remained confined to those possessing capital of the sort that would free them from the very large vestiges of 'the state' that had not been shed, but rather pushed aside. The 'globalizers'' parallel quasi-governmental organizations (e.g. GAFI, EECP, the 'Central Unit' at the Ministry of Industry and Trade), created to implement the streamlined procedures, offered carved out spaces of

efficiency to the select few, allowing them to grow their enterprises (Chapter 5), while leaving the rest of Egyptians to drown in the morass of remaining *mowazzafeen* (lower to mid-level bureaucrats) (Chapter 2).

These quasi-governmental bodies of streamlined efficiency took the form of executive boards stacked with select members of top-level bureaucrats and private sector cosmopolitan elites (e.g. Abouleish, Nadim, Zorba, Kassem, Arafa), each representing their respective sides of the 'public' and the 'private' in the Businessmen Cabinet's new project of Public Private Partnerships. Meanwhile, as traced in Chapter 5, the same individuals party to the executive boards of procedural streamlining, held positions (or proxy representation) on the executive boards of (1) the additional quasi-governmental organizations mandated to provide the 'business development services' for Egypt's 'industrialization,' 'modernization' and 'export promotion' (IMC and ExpoLink); as well as (2) the quasi-governmental organizations created to serve as the central agents of industrial representation (FEI and Export Councils).

I have argued that the organizational veil provided by the various 'business development' bodies created or redefined during the reform era (e.g. IMC, RMGEC, ExpoLink) served an essential function, allowing individuals of the small cohort of cosmopolitan elites to hide behind a shroud of acronyms that suggested inclusive service provision, while simultaneously offering the globalizers direct channels to network with those sharing their cosmopolitan capital in the international arena—securing both donor funds and export markets.

While the cosmopolitan capital rich sat behind the veil on the organizations' executive boards, in front of the veil, an army of quasi-governmental bureaucrats

(Chapters 3, 4 and *Interlude*) blossomed to contend with the masses. The new brand of bureaucrat also served the essential function of providing a guise of inclusivity through *qisas el NagaH* [success stories] (Chapters 3 and 4) articulated by a regime of marketing material (pamphlets, websites, videos)—necessary to maintaining the rent streams of both public resources as well as *cosmopolitan capital* channeled to the executive boards.

Specifically addressing Egypt's smallest enterprises, Loewe (2013) concludes: 'Manufacturing MSEs [micro and small enterprises] did not benefit much from the Nazif government's general economic reforms—but they did not suffer from them, either' (77). Instead, he asserts that while their gains may have been marginal compared to those of larger firms, the general climate of the period did offer some benefits, noting: 'the SFD now provides BDSs [business development services] to MSEs' (*ibid*).

This dissertation has attempted to offer an alternative conclusion. I have argued that these micro and small enterprises did in fact suffer from the reforms of the Nazif government; And further, that it is precisely this guise of benignancy that has been core to sustaining the vast inequality that accompanied Egypt's 'market liberalizing' experience—compounding through the generations, from *infitah* (1974) to ERSAP (1991) to Businessmen Cabinet (2004).

As this dissertation has posited, exclusion from the networks of privilege traced above should not be seen as neutral, but rather actively detrimental for Egypt's economically disenfranchised, or the Egyptian majority. Not only did the capital poor not benefit from the tremendous wealth created at the top during economic liberalization, but the well-endowed 'safety nets' put in place to catch them when the ground was pulled from beneath them (the SFD and IMC) were placed under the control of the same small

group of individuals who *had* benefited from the reforms. Pushing someone from an airplane while stealing his parachute would not be deemed a neutral action. Nor should the capture of economic support during the disruptive repercussions of economic liberalization.

As argued above, under the discursive and institutional creation of 'quasi-governmental' organizations, all woven together in a web of 'Public Private Partnerships,' the executive boards were granted direct access to both Egypt's scarce public resources, as well as the 'pro-private sector' financing allocated to the small group of cosmopolitan capital rich elites by their international partners (most notably, USAID in the 1990s, taken up by the EU and other European donors and lenders in the 2000s). This capture of economic capital, in turn, reinforced domestic social capital, which led to additional rent stream creation (and new forms of economic disenfranchisement for most) via policy-making (Chapter 6).

Loewe's assessment fits well into Springborg and Henry's (2010) frame of the 'globalization dialectic.' We may recall:

> The new dialectics of globalization feeds on an unachieved colonial dialectic. Its thesis is the Washington Consensus, shared by 'serious' economists, irrespective of nationality and vigorously, if selectively, imitated by certain of the local business and political elites as well (*ibid* 9).

Loewe, invited in 2012 to speak by the ECES at their 'Expert Group Meeting' on 'Upgrading Small and Medium Enterprises,' ("ECES" 2012) offered a convenient partner for his Egyptian counterparts. The 'market liberalizing' bias of the Washington Consensus thesis, expertly rendered by their Western development institute representative, could now be imitated on the stages of international funding platforms.

(4) Military Inc.: The Elephant in the Dissertation

The networks of 'globalizers' traced throughout this dissertation were empowered with both economic capital as well as with political sway during Egypt's reform projects—the latter as they monopolized the country's core platforms for industrial representation and export promotion. Through these bodies, they were also offered the pens of policy-making. However, as Springborg and Henry (2010) caution, we must not grant too much assumed power to these globalizers whose 'primary institutional power base' lay in the cabinet (192). Ultimate decision-making, instead, sat with 'the triumvirate of ruler and his entourage, the military, and the security forces' (192).

It is impossible to discuss Egypt's business-state assemblage without taking into account this triumvirate. While the 'ruler and his entourage' have been highlighted throughout this dissertation, the military and security forces have only been danced around—existing sometimes parallel to, sometimes intertwined with, the reform networks examined above.[289]

The military in particular takes a prominent role in the assemblage under consideration. As expertly detailed elsewhere (see for example, Abul-Magd 2015; Marshall 2015; Adly 2014), Egypt's top brass emerged as major winners of the earliest Mubarak era reforms in the 90s, which continued well into the 2000s.They similarly exploited the openings for resource capture provided by Egypt's 'market liberalization,' also employing many of the tools highlighted in this dissertation.

Indeed, the Gamal cohort was not unique in its use of 'Public Private Partnerships' to capture reform benefits. As Marshall and Stacher (2012) describe, the military also used the vehicle of PPPs to take advantage of the various Businessmen

[289] We may recall, for example, Mr. Mansour, Chief of the Economic Wing in the General Intelligence and Security Services, who served as an important link in the QIZ negotiations; And the military capital of Arafa and Khamis.

Cabinet reforms. These reforms, accompanied by loans from international financial institutions offered to promote the liberalizing endeavor, facilitated the army's partnerships with multinationals and Gulf conglomerates (2). As noted in Chapter 8, these lucrative partnerships were also greatly facilitated by private equity firms (such as the military-civilian business projects of EK Holding).

As Marshall and Stacher (2012) posit, the army experienced both threat and increased gains from the Businessmen Cabinet reforms. On the one hand, using this PPP vehicle along with increased privatization, those with military capital were able to initiate new economic endeavors. However, on the other hand, as Marshall and Stacher (2012) note, '[The Nazif] program, had it continued, might have dismantled the last public-sector enterprises in Egypt, many of which the army runs' (1). As they point out, 'Tenders of privatization are excludable goods, and the more of them were granted to Gamal's cronies, the fewer remained for military companies, which sought them just as assiduously' (*ibid*).

Rent streams of cosmopolitan capital played an important role in this delicate balancing act between the 'globalizers' and the military—often serving to keep top military actors at bay. The $1.3 billion in annual military aid from the US played no small role in this equation.[290] The American capital not only channeled rents directly to the military, but also indirectly offered financial support to the Nazif team. When a US Congressman raised the proposal to shift a considerable portion of the military subsidy to 'development,' for example, Nazif 'argued strongly against' the idea, highlighting the

[290] It is important to note that not all of this money goes directly to the military—much of it redirected to US consultants and contractors. See for example, Alim 2013.

fact that 'any reduction of US funds to the military would have to come instead form the government's budget' (Embassy Cairo 2005a).[291]

In this sense, we also see the rise of the military-backed regime represent the persistence of networks of cosmopolitan capital, with the decades of US donations serving as an important rent stream for bolstering the top military brass. The fact that President Sisi studied at the US Army War College also offers a fitting example of the capital that had been cultivated across borders during the years of the Egyptian military's 'special relationship' with the US, prompted by the signing of the 1978 Camp David accords.

The effective employment by these two groups of competing interests (the 'globalizers' and the military) of the same vehicles of resource capture (PPPs), with the aid of the same currency (cosmopolitan capital) emphasizes the necessity of analyzing Egypt's 'business-state relations,' instead, in terms of a business-state assemblage.

* * *

Egypt's Business-State Assemblage: A Neoliberal Assemblage

Like Deleuze and Guattari's (1987) 'feudal assemblage,' components of Egypt's business-state assemblage included its own equivalents to those core to sustaining the feudal order. As with the heterogeneous 'intermingilings of bodies defining feudalism' (89), comprised of both the human (e.g. lord, serf, knight), and non-human (e.g. horse, weapons, juridical regimes, oaths), we find in Egypt's business-state assemblage a similarly complex network of diverse components: domestic and international individuals representing 'business' and 'state;' organizations; international and domestic public

[291] In response to questions regarding why the Egyptian military needed such a large budget despite Egypt's lack of military threats, Nazif offered the well-rehearsed reasoning to his Western interlocutors: it was 'an anti-terrorist army' (Embassy Cairo 2005a).

funds; market liberalizing discourse; international trade agreements; laws; imported materials; and industrial policies governing subsidies, industrial zones, and trade rules.

These elements, divided into forms of 'enunciation' (or discourse) and 'bodies,' existed in 'reciprocal presupposition' (*ibid* 145). That is to say, the discursive and physical components of the assemblage mutually reinforced each other to constitute the whole, or the *amalgamation* that defined the system in motion (*ibid* 34). All of these elements contributed to complicating the political economic space of Egypt's reform developments, and shaping the outcome of Egypt's experience with 'market liberalization.' No individual or set of actors can be singled out as serving as the cause of the resulting inequality. Instead, it must be seen as the result of the confluence of these factors—individuals' actions were shaped by changing opportunity sets, made possible by the dominant ideological context of economic liberalization promoted by international financial institutions, international donors and the financing that followed in step. These funds were channeled through organizations set up in 'Public Private Partnerships' and used to dominate the domestic industrial policy-making space as well as access to export markets, securing privileged access to the benefits of economic globalization, while excluding the majority.

This absence of singular identifiable culprit, or the heterogeneous nature of assemblage, is what has made the gross inequality that emerged alongside developments of Egypt's reform era so resilient. And yet, recalling the final principle of assemblage, we find an opening for optimism: fluidity; 'assemblages are in constant variation, are themselves constantly subject to transformations' (Deleuze and Guattari's 1987, 82). Indeed, as demonstrated in the chapters above, the assemblage defining Egypt's political

economy during the period examined existed in a constant state of flux, with individuals forming and breaking coalitions, and new rules of the game reshaping opportunity sets and incentives.

However, at least for the near future, there is scant indication that this fluidity will produce a more equal Egypt. Instead, the IMF's most recent $12 billion partnership with President Sisi is set to inaugurate yet another 'wave of reforms'—with the loan's conditionalities paving the way for expanded gains for the cosmopolitan elite, and increased hardship for the majority. Until Egypt's business-state assemblage ceases to be a neoliberal assemblage, the capital poor will continue to suffer, and the country's 'Middle' can be expected to remain unfound.

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